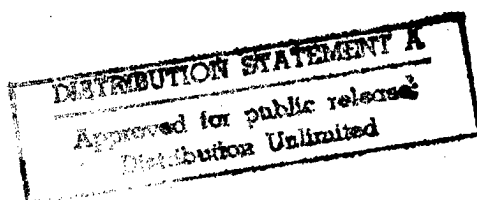


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5 June 1984



# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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5 June 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

#### CONTENTS

##### INTERNATIONAL AFFAIRS

- Polish Deputy Minister Evaluates Trade With Socialist Countries  
(Wladyslaw Gwiazda Interview; RYNKI ZAGRANICZNE, 31 Mar 84) 1

##### BULGARIA

- International Motor Transportation Expands Operations  
(Boyko Angelov; OTECHESTVEN FRONT, 6 Apr 84) ..... 7

##### CZECHOSLOVAKIA

- Role of National Committees in Economic Development Viewed  
(Josef Bavlnka; NOVA MYSL, No 3, 1984) ..... 11
- Trade Unions Enlisted in Struggle With Economic Crime  
(Ladislav Jouza; RUDE PRAVO, 2 Apr 84) ..... 20
- Deliveries of Agricultural Machinery in 1983 Exceed Plan  
(SVET HOSPODARSTVI, 21 Mar 84) ..... 23
- February 1984 Economic Results Summary Published  
(Vaclav Cap; HOSPODARSKE NOVINY, 30 Mar 84) ..... 27
- March 1984 Economic Results Summarized  
(Vaclav Jezdik; HOSPODARSKE NOVINY, 27 Apr 84) ..... 31

##### HUNGARY

- Future of Enterprise Task Force Teams in Present Form Uncertain  
(Gyorgy Varga; FIGYELO, 12 Apr 84) ..... 35
- Reporter Provides Insights Into Kapolyi USSR Visit  
(NEPSZABADSAG, 12 Apr 84) ..... 40
- Scant Progress Toward Competitiveness Say Statisticians  
(FIGYELO, 12 Apr 84) ..... 45

Csikos-Nagy Explains Controls on Pricing, Price Club (Bela Csikos-Nagy Interview; MAGYAR HIREK, 3 Mar 84) .....	47
Shortage of Tradesmen, in Spite of 1983 Increase (Gyorgy Filep; OTLET, 15 May 84) .....	51
Relations Between Central Planning, Enterprises Continue Undefined (Istvan Kiglics; FIGYELO, 26 Apr 84) .....	56
Director of Chinoin Interviewed on Policy, Resources, Research (Istvan Bihari Interview; FIGYELO, 26 Apr 84) .....	60
Advantages, Disadvantages of Municipal Bonds Noted (Janos D. Kiss; MAGYAR HIRLAP, 7 Mar 84) .....	67
National Bank Publishes Annual Report (Ervin Fabri; HETI VILAGGAZDASAG, No 17, 22 Apr 84) .....	70
Academic Supports Vehement Debate on Economy, Social Values (T. Ivan Berend Interview; NEPSZABADSAG, 17 May 84) .....	76

#### POLAND

Professor Manteuffel Evaluates Agricultural Situation (Ryszard Manteuffel Interview; ZOLNIERZ POLSKI, No 15, 8 Apr 84) .....	80
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INTERNATIONAL AFFAIRS

POLISH DEPUTY MINISTER EVALUATES TRADE WITH SOCIALIST COUNTRIES

Warsaw RYNKI ZAGRANICZNE in Polish 31 Mar 84 p 3

[Interview with Wladyslaw Gwiazda, deputy minister of foreign trade, by Eugeniusz Mozejko]

[Text] [Question] Mr Minister, RYNKI ZAGRANICZNE's interviews with you on the subject of trade with the socialist countries are becoming a tradition. A year ago you spoke here on the prospects for the development of the turnover with these countries in 1983. That is a reason for asking you now for a brief summary of the results.

[Answer] With respect to the development of turnover with the socialist countries, the year 1983 can be considered a successful one. It was a year with a dynamic increase in imports and exports. We achieved 1.8 billion zlotys in turnover. In this manner the targets of the trade protocols were exceeded; to be precise, they were fully realized, and additional transactions were added to this, both in imports and exports.

[Question] It seems that our exports dominated the turnover...

[Answer] No. It was mainly imports. Many trade transactions were carried out in the area of raw and other materials, as well as consumer goods. I am not speaking only of the Soviet Union here, since in this case the preponderance of imports is so colossal, reaching 75 percent, that comparisons with our raw material exports would be senseless; but in turnover with the other socialist countries, we became a net importer of raw and other materials and of consumer goods. These imports exceeded our exports in these commodity groups by 22 billion zlotys. This preponderance was higher than in the targets adopted at the beginning of the year.

Last year was also not bad for tourism. Expenditures for tourist travel amounted to about 16 billion zlotys, indicating a major increase in comparison with the preceding year and the initial targets for 1983.

[Question] Did we cover these expenditures by exporting goods?

[Answer] To the extent that it was possible, by the nontrade balance of payments, but also by goods. After all, we are treating tourism almost as a commodity, and I think that the results achieved in this area were a positive element in performing tasks in the whole of foreign turnover.

On the whole, one can say that in 1983 imports from the socialist countries supplied the economy with raw and other materials and with consumer goods quite adequately, which finally led to an increase in our indebtedness to other socialist countries, as well as to the USSR.

With respect to the Soviet Union, the situation is generally known; there is a great preponderance of the shipments of raw materials that are most important to us. All of these shipments, except for certain amounts of raw materials and ammonia, were made in full, and for some assortments were exceeded. The balance in the payment turnover was smaller than we expected. I note that while it could have reached 1 billion rubles, it actually amounted to about 600 million. This is understandable if we take into account the fact that in 1982 the lags in carrying out our deliveries to the USSR were larger and their completion improved the 1983 balance. In addition to this, we have to keep in mind the fact that sooner or later we have to balance the turnover, and subsequently begin to repay our debts. We have thus tried to increase exports. This should be viewed as a healthy trend, demonstrating an increase in the export capacity of our industry and the stabilization--or at least the beginnings of the stabilization--of our economy.

[Question] Nevertheless, the smaller negative balance demonstrates that the original assumptions were not fulfilled.

[Answer] We also assumed, however, that in the area where surpluses exist and there are possibilities for exports to the Soviet Union, we would use them. And that is the way it turned out.

[Question] You stated that the targets of the protocols for 1983 were fulfilled and even exceeded. Did this apply to all of our main partners?

[Answer] Virtually all of them. In the case of the Soviet Union, East Germany, Czechoslovakia, Hungary, Romania, and Bulgaria, it was possible, as I said, due to additional transactions, paid for both in rubles and sometimes in dollars. The fact that imports were higher is reflected in the payments balances. In settlements with the socialist countries, the balances were negative, with the exception of Cuba. Our indebtedness with respect to the rest of the states--except for the USSR--grew to 315 million rubles.

[Question] Obviously this suits us.

[Answer] Obviously it suits us; one should nevertheless consider the fact that it suits our main partners less, but as they have in the past, they are tolerating this situation by treating it as a form of assistance.

[Question] Let us go on, however, to the real subject of the interview. What are the prospects for the further development of trade relations with the socialist states in light of the protocols signed for 1984? Looking over the indicators contained in them, one could say that the growth rate projected for the turnover is considerable, but nothing tremendous. Do the growth rate assumed and the structure of the turnover correspond to our intentions and needs?

[Answer] What we coordinate in the protocols as a result of negotiations does not always correspond completely to our needs, since our needs in the area of consumer goods, for example, are so great that they cannot be satisfied by our socialist partners, simply because of their limited capabilities. As a rule the situation is easier with regard to machinery and equipment, but even in that case not everything can be arranged. After all, the partners are in a situation like our own.

In assessing the indicators contained in the protocols, we should relate them to the level already achieved and to the structure that has traditionally occurred in earlier years. Assessing the protocols concluded in that way, one may state that the result is good. The increase in the turnover is adequate.

[Question] It amounts to from 6.5 to about 20 percent.

[Answer] But please relate this average of over 10 percent to the indicators achieved in world trade, around 4-5 percent; then it turns out that the projected rate of the growth of our trade with the socialist countries is high. One should also recall that in recent years we have usually not confined ourselves to what was in the protocols. In addition, we are carrying out very large additional transactions, which increase the turnover. They also take the burden off imports from the capitalist countries or make possible direct trade in goods that in the past have been an object of exports to the West or of imports from that direction. If such trade is carried out with our neighbors, then both partners obtain benefits, at least as a result of geographic advantages.

I am thus convinced that last year the planned size of the turnover was exceeded both in imports and in exports. These assumptions, which were coordinated in the protocols, are after all in accordance with the CPR [central annual plan].

It may be worthwhile to recall that in preparing the protocols, we were for the first time in several years under enormous pressure from customers for imports of machinery, equipment, and spare parts. With respect to parts, this pressure did occur constantly, but that did not affect machinery and equipment before now.

[Question] You have in mind here domestic customers...

[Answer] Yes. In connection with the curtailment of investments for the last 2-3 years, there has been virtually no increase in imports of machinery and equipment. This year there is great pressure, and I must say that our own export capabilities have also not permitted us to satisfy completely the cravings for these imports.

[Question] The problem of an insufficient supply of imported spare parts is an old one. With the new difficulties, can we at least count on an improvement in this area?

[Answer] Yes. The supply of spare parts has really been our country's Achilles heel for years, but in recent years we have been able to achieve a considerable improvement. Unfortunately, this does not mean that the problem has been solved. I think, after all, that our requirement for spare parts has often been critical. Management of them has to be improved. But even in the situation as it is, in terms of value, in principle we are satisfying the demand, while on the other hand shortages are still occurring in too many assortments.

[Question] Our trade with the socialist states is based to a considerable extent on investment goods, and the requirement in this area is growing. At the same time, there is also increased interest in imports of consumer goods. What are the possibilities here?

[Answer] It must be stated that imports of consumer, industrial and agricultural-food goods cannot fundamentally change our market situation, although there is no doubt that it can alleviate shortages of certain articles. And that is what is happening. This year the assortment structure of imports of consumer goods has essentially remained unchanged. In comparison with the preceding year, these imports have increased between 6 and 8 percent, although for individual items this is developing differently. I am talking here about what was planned in the protocols. Independently of this, we will import consumer goods within the framework of additional understandings, for example, refrigerators and washing machines from the Soviet Union within the framework of an understanding on participation in the construction of a coking plant and a rolling mill for curved sections, for which a credit has been allocated. Such deliveries will certainly be noticeable in the market. For other items there is also an increase in deliveries, but again it must be said that they are not proportionate to our needs.

[Question] This possibly also applies to another large and at the same time important commodity group--fuels and raw materials. We consider the crucial thing in the protocols to be the fact that these deliveries will remain at unchanged levels.

[Answer] Obviously we would like these deliveries to grow rapidly. At the same time, evaluating the possibilities realistically, this increase can only be a moderate one unless it is followed by an increase in our exports of raw materials. Except for the Soviet Union, the socialist countries are not rich in raw materials, and we cannot count on a considerable increase in deliveries from them. Furthermore, our requirements are narrowly defined--we would require more crude oil, petroleum products, and gas.

For the majority of the other raw materials that we have traditionally imported from the socialist states, our need is also growing, but it may also be considered that the demand for some of them has declined somewhat. This is good evidence of economizing by plants.

[Question] That is a very optimistic explanation...

[Answer] Certainly it is an optimistic one. Actually, it is not fully known what is behind this, but it is nevertheless a fact that plants are beginning

to schedule their requirements for raw and other materials more efficiently. They are not inclined to import whatever there is at any time; they are concerned with the breakdown of deliveries by time.

[Question] We have also noted such an approach, but what are the possibilities for inclining our partners to adapt themselves to these requirements?

[Answer] Unfortunately, this is not always possible.

[Question] We are also led to observe that the period for signing protocols seems to have become longer. Does this mean that the negotiations are becoming more difficult?

[Answer] Negotiations in general are a difficult matter, especially for the commodity groups we discussed a little while ago, in which there are deficits. Obviously, we would like to ensure the best possible coverage of our needs in the area of raw and other materials and consumer goods, but we are coming up against the same aspirations on the part of our partners. This causes certain difficulties; solutions are always found, however--solutions that are beneficial to both sides. In recent years one more difficulty has been added to this--namely, that we have not signed 5-year contracts, which make negotiations easier, with all of the socialist countries. In this situation they can go on for different lengths of time, from 2 weeks to several months.

[Question] One receives the impression that as a result of the growth in the scope of various types of additional transactions, the role of the agreements contained in the protocols has been relatively diminished. Is this really a current trend?

[Answer] This is also influenced by the above-mentioned lack of long-term agreements in the current 5-year period. All of the socialist states have 5-year plans, while we have worked on the basis of annual agreements. Implementing something outside the plan is fairly difficult. Thus in practice, the annual trade protocols signed with Poland are a minimum program. In signing them, our partners are not ceasing their efforts to find possibilities for meeting our initiatives and needs halfway. And that is where these additional transactions come from. Possibly it will have to be like that until the end of this 5-year period, while on the other hand in the next one the level achieved will become the basis for the new long-term agreements.

[Question] What new possibilities in particular are we still searching for this year?

[Answer] Above all, we would still be interested in priority consumer goods like meat, rice and tea. For example, we already have an agreement with Hungary concerning a barter transaction, in which there will be an exchange of electricity for poultry, leather footwear, and aluminum oxide. We have also agreed on the exchange of other raw materials for pork. We have already agreed on an additional exchange of consumer goods worth 50 million rubles with Czechoslovakia. Among other things, this is a result of the implementation of agreements reached at the highest level.

[Question] In spite of the initial apprehensions, the economic reform has not reduced the interest of enterprises in exports to the socialist countries. Instead, the opposite has occurred. Do you agree with such an agreement? In general, are the principles of the economic reform being proven in trade with the socialist states?

[Answer] It seems to me that it is too early for general assessments. Let us not forget that in the last 2-3 years there was a decline in the demand for imported machinery and equipment, and thus our own supply turned out to be relatively high. Now, when our demand is growing again, it may turn out that the export potential is too small to cover these growing needs. In the second place, let us recall that in the past our partners have approached us fairly tolerantly in view of our difficult situation, but one should not expect this state of affairs to last forever. But it is true that the apprehensions once stated, that under the conditions of the reform exports to the socialist countries would suffer, have not been verified.

[Question] Enterprises exporting to the socialist countries are still demanding ruble deductions. In the interview we conducted last year, you felt that they were unnecessary. Are you still of that opinion?

[Answer] In principle, I still feel the same way. Trade turnover with the socialist states is formulated in the protocols. Free imports of precisely what we need, beyond the protocol, are difficult, and in the majority of cases they are balanced out by some kind of deliveries on our part. If there really is a possibility for one-sided imports, then we will do it even without deductions, as long as the domestic customer has the zlotys for these purchases. I am afraid that in the case of the allocation of deductions the exporters would be disappointed in the end, since in practice the possibility of carrying out the imports they need may turn out to be slight, especially for raw and other materials, and after all that is mainly what we are interested in.

[Question] That is how it appears from the ministry level. It is perhaps not possible, however, to rule out some additional possibilities being discovered in direct contacts between enterprises, especially if we assume that such direct contacts will be developing.

[Answer] In spite of appearances, these contacts are already fairly frequent, and their results are diligently exploited by the foreign trade enterprises. What is desired, however, is still greater activity in this sector by the foreign trade enterprises.

[Question] In your opinion, what is the most important thing with regard to systemic matters?

[Answer] Ensuring that the interests of the exporting enterprises are in agreement with the interests of society as a whole, including the performance of tasks arising from intergovernmental treaty obligations. I think that the set of currently operating incentives is ensuring sufficient motivation for the development of exports to the socialist countries.

[Interviewer] Thank you for the interview.

INTERNATIONAL MOTOR TRANSPORTATION EXPANDS OPERATIONS

Sofia OTECHESTVEN FRONT in Bulgarian 6 Apr 84 p 5

[Article by Boyko Angelov, correspondent for OTECHESTVEN FRONT: "The International Motor Transportation Economic Trust Dictates the Fashion in International Motor Transportation: The First Official Trip of the 'Tsarevets'"]

[Text] The motor ferryboat for carrying automobiles and passengers, the "Tsarevets," owned by the IMT Economic Trust, docked on 6 March at the port of Barcelona, the maritime capital of Spain. During the 2 days the "Tsarevets" spent there, it was loaded with 89 semi-trailers and then set off for Marseilles. From the French port, it "took on" 40 Bulgarian TIR trucks along with their drivers and sailed for Burgas, where it arrived on 13 March. It was the first official trip on the new itinerary established by the IMT Economic Trust, which is the sea link between Bulgarian, Spain, and France.

Barcelona -- Marseilles

First of all, the route allows for carrying combined loads, of the "land-sea-land" type, by the same carrier owned by all the participants in these operations of the means of transportation--in this case, the IMT Economic Trust. Such service is new in international practice and has a number of advantages. From Spain, for instance, the contracted goods are taken by Bulgarian semi-trailers, which are loaded on the "Tsarevets," then they go to Burgas, and on a Bulgarian tugboat, they set off for the ultimate destination in the Near and Middle East. The same thing happens to the loads which are taken onto the ship in Marseilles. Prior to the opening of the route to Spain and France, container transportation by sea was mostly used. From now on, thanks to the IMT Economic Trust, these two countries will be able to export their goods "on wheels" to the traditionally rich and reliable markets in Arab countries.

Now, 4 years after the IMT Economic Trust established its first business contacts with the Spanish firm Trabosa (whose semi-trailers were loaded in Barcelona), the first decisive step forward has been made. A contract was signed between our economic trust and the well-established Spanish company Naviera del Odiel, which regulates and provides for the efficient use of this route. Two days later, a similar contract was signed in Marseilles with

the firm France-Mer. What is new about this? These contracts contain three basic elements--the IMT Economic Trust's partner is obliged to serve the ship "Tsarevets"--to let it into port, to unload and load it on time, to process the trucks or semi-trailers which arrive with the ferryboat, to be responsible for keeping them properly while on its territory and to help their movement to the ultimate destination with tugboats hired by the firm, to return them loaded, and so forth, to ensure loads for the route, for which it is necessary to develop broad commercial and advertising activity among its potential loaders and clients in its own country.

Atanas Vulkanov, director of systems development at the IMT Economic Trust:

"For the first time in the practice of our ferryboat activity, such complex contracts, which are executed by one and the same foreign firm, have been signed. Until now these operations were conducted by separate companies and agents, which is far more inconvenient and ineffective. A certain owner of a large Spanish transportation firm declared, for example, that he would use our route for all his automobiles all year round, explaining that until now 65 percent of his expenses for on-land transportation from Spain to Iraq were used up by the time the automobiles reached Bulgaria.

"Indeed, the customers of the Barcelona-Marseilles-Burgas route will save long night trips, fuel expenses, worn-out tires, depreciation of the automobiles, travel taxes, waiting at border check-points, and so forth, whereas the new route offers many more possibilities--in a word, the 'Tsarevets' can transport anything that moves on, or could be put on, wheels."

It is now time to say a few words about the

#### Motor Ferryboat "Tsarevets"

The "Tsarevets," and its twin sister, the "Trapezitsa" (which now sails on another route in the Mediterranean--from Bulgaria to Syria), were built in Sweden in 1980. The ferryboat routes of the IMT Economic Trust are known by the commercial name Medlink, which means "Mediterranean Link." There are no other such large and modern "ferries" in the Mediterranean. Their length is 166 meters, they are 23 meters wide, and they have a maximum speed of 22 knots.

A highly automated ship, using largely electronic technology and computers, the "Tsarevets" has three loading decks with a total capacity of 2200 linear meters. This means that 150 trucks or trailers, each 15 meters in length, can be loaded on them. Beyond the capacities typical for international motor transportation, the ship can also take "loads on wheels" of every kind--with unlimited length, up to 8 meters wide, and up to 6.25 meters high. It has first class passenger cabins for 175 persons, a restaurant, bar, sauna, movie theater and video apparatus. All rooms are air conditioned, with an automatic temperature control...

We had the following conversation with the captain of the "Tsarevets," Zhivko Gavrilov, long-distance sailing captain, hero of socialist labor, in his cabin.

"Mastering the complex apparatus is not an easy thing to do. But it happened in an unusually short period of time. After the exchange of flags, we had only 2 hours for the ship to be accepted. We sailed off right away. Thanks to the high level of training and the feeling of responsibility on the part of the whole crew, we managed it successfully. In the course of time we acquired experience and we have not had any operating emergency thus far.

"I will give you an example. During the signing of the contract with Sweden for purchasing the ship, the owner of the route, which we were to take over for a certain period, asked for a financial guarantee in case the services of his client took a turn for the worse. This meant that he presumed or, more precisely, he was certain that difficulties, foul-ups, delays, etc., would arise after the exchange of flags and crews. The amount remained intact through to the end of the 9-month period, according to the contract."

It is clear from all that was mentioned above that the opening of the Barcelona-Marseilles-Burgas sea route is a very important step in the development of the IMT Economic Trust. It is a significant success not only for the IMT Economic Trust and the entire transportation complex, but for socialist Bulgaria as well. Its true value is still to be calculated.

#### The Attitude of Business Media

Dozens of their representatives were able to get acquainted with the activity of the IMT Economic Trust and the new route during meetings on ship and on land. Here are the opinions of two of them:

Jean Gachar, president of Fruehauf-France, the French branch of the American company, the largest manufacturer of equipment on wheels in the world, vice president of the French-Bulgarian Commission for Economic Cooperation:

"Our firm has maintained business contacts with the IMT Economic Trust since 1969, which allows us to characterize our relationship as traditional, effective and mutually beneficial. In my opinion, the IMT Economic Trust is the 'number one transporter' in Europe, and it is an honor to have the Bulgarian firm as our biggest customer. Because we are now talking about the new Barcelona-Marseilles-Burgas route, I am convinced that it will lead to additional development in the activities of the IMT Economic Trust. I am certain that the route will function very successfully."

Paul Lamberet, president of the Lamberet Company, one of the largest manufacturers of refrigerated trailers in Europe:

"The IMT Economic Trust is one of the largest and most respected firms in Europe with which we maintain contacts. At the same time, our cooperation is one of the Lamberet Company's most prestigious acquisitions. I think that the Bulgarian firm long ago surpassed the European standard--and not only because it has interests in Asia and Africa. I personally think that the route has qualitatively raised transportation services to a new standard."

Inevitably, during the conversation which took place in Barcelona and Marseilles the topic of

## Prospects in the Near Future

was discussed.

On the trip from Barcelona to Marseilles, a group of foreigners, representatives of the firms concerned, traveled with us. I even overheard some speaking Italian. It turned out that the Italians were from the well-known maritime agency Paolo Scerni. Their goal was very concrete: to reach an agreement with the IMT Economic Trust, so that during subsequent trips of the "Tsarevets," the ferryboat could "stop by" at an Italian port as well.

Bruno Ferando, director general of Paolo Scerni:

"I take into account the great possibilities offered us if the route were to be extended to Italy. We have made additional investigations and we received quite interesting information and results. International motor transportation in Italy could not laud itself for such flexible--and let us be straight-forward--modern services as those offered by the IMT Economic Trust. I am absolutely certain that if your ship were to begin making stops at an Italian port, this effort would certainly be crowned with success."

Mauro Cabassi, commercial director of Paolo Scerni, adds:

"In my opinion, the IMT Economic Trust is one of the leading firms in Europe, not only in the field of motor transportation, but in the field of trade as well. The service which it now offers--combined transportation and maintenance--is the service of the future, and I think that many Western companies will have to readjust their clocks to 'Bulgarian time.' I would like to confess something. There are quite a few people in Western Europe who still consider that socialist countries cannot be equal partners in the business of trade. However, the IMT Economic Trust has proven exactly the opposite. This fact has to be pointed out. We have convinced ourselves that the IMT Economic Trust does not have any rivals in Europe."

...During the days we spent in Barcelona and Marseilles, one of the words we heard most often was "bridge." The bridge that links Bulgaria with Spain and France over the seas, which brings them closer in their striving for mutually beneficial cooperation in the interests of their nations.

Among the many guests of the "Tsarevets" there was also the first vice mayor of Marseilles, M. Antoine Giacometti, who expressed his sincere satisfaction with the opening of the new route: "I believe that cooperation in the sphere of economics will lead to development in relations and to good understanding between our two countries. I wish the new maritime route great success. May the 'Tsarevets' be a frequent and regular guest at our port!"

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ROLE OF NATIONAL COMMITTEES IN ECONOMIC DEVELOPMENT VIEWED

Prague NOVA MYSL in Czech No 3, 1984 pp 80-88

[Article by Josef Bavlínka: "On the Role of National Committees in the Development of the National Economy"]

[Text] The development and intensification of socialist democracy constitute an indivisible part of the building of a developed socialist society. That is not only a result of numerous, mainly sociopolitical processes occurring in every area of society's life and including the controlling function of the communist party, but at the same time also a very essential prerequisite for, and the source of, a favorable fulfillment of the tasks of comprehensive social development. The intensification of social democracy also plays a vital role in the development of the national economy. The work of national committees holds an irreplaceable position in that process.

Our party and state agencies pay constant attention to the activity of these representative assemblies. Practical experience thus far and the decisions on the directions necessary for the development of the activity of national committees, which had emerged from the agenda of discussions at the 16th CPCZ Congress, were incorporated in the amendments to the law on national committees, adopted in 1982 by legislative bodies of the CSR and SSR.

Both amendments objectivize the growing needs and corresponding means of the building of our developed socialist society concerning the range of the activity of national committees on every level, primarily national committees in central villages and towns. This means that the amendments have upgraded their legal rights and the power and authority of their elected officials, plenary sessions, councils and commissions as well as deputies of national committees in proportion to the objectively increasing coresponsibility of national committees for the implementation of our party's and state's socio-economic policies in territorial districts managed by national committees.

For that reason, it is anticipated that the implementation of the amended law on national committees in social practice will bring a more meaningful contribution toward higher, comprehensive efficiency of national committees, particularly by means of their more efficient role in the development of the national economy by more exhaustive specification of the Set of Measures for Improving Planned Management of National Economy after 1980. This means -- in conjunction with the process of improving the system of management by all

society -- an objective process corresponding to the needs of a comprehensive, above all economic, social and cultural development of territorial districts within the range of operations of individual levels of national committees. As a matter of fact, the amended law explicitly stipulates that national committees fulfill the task of achieving a comprehensive socioeconomic development in their territorial districts.

Naturally, the active, expanding role of national committees in the development of the national economy is objectively determined also by the fact that in their territorial districts national committees -- as the objective, broadest and most demonstrable expression of socialist democracy -- are the supreme organs of state authority and of state administration. Relations existing between the national committees on the top level (KNV's [kraj national committees]) and the administrative center of our socialist state are based on their interdependency; the primary dependence here is the dependence of the KNV's on the center, which is given by the unity and integrity of socialist social ownership of the means of production; these relations are projected into a unified albeit structured universal political system.

The objectively expanding economic-organizational function of the socialist state at present is analogically projected into the growing role of the national committees. At the same time, here the consequences of the growing role of the subjective factor in social development are evident as an objectively assertive tendency. Its most relevant and meaningful expression is the growing role of our socialist society and, above all, of its leading force -- the Marxist-Leninist party as the subject of discerning, goal-oriented, programmed comprehensive development itself.

From this perspective the role of national committees depends on the development of our national economy -- similarly to the function of the socialist state in the economy -- and on the fulfillment of the following functions:

-- economic (economic-organizational), where national committees act as representatives of socialist social ownership of the means of production (this concerns economic organizations under the direct management of national committees); thereby they perform individual social functions of social ownership (particularly planning, management in the narrower sense of that word, and thus they are meeting the challenging current and future tasks of the economic sector which they directly manage, mainly in areas of social production (development of its branch and departmental structure), organizational construction of the technological production base, investments and technical development, planning and price-setting, rewards, and financial and credit relations;

-- authoritative, whereby the national committees as the supreme organs of state authority and administration ensure that measures stemming from their economic function, which are mandatory as norms, be enforceable not only legally but also in reality, under appropriate penalties (this concerns the authority of legal policies);

-- social and cultural-educational, whereby national committees (as supreme territorial organs of the socialist state) guide individuals and whole teams in the economic area mainly toward the socialist attitude to work and toward social ownership of the means of production.

This brief outline of the role played by national committees in the development of the national economy already shows the complex character of its task, because in every effect of national committees on economy all basic functions of the socialist state are appropriately demonstrated by differentiated joint action, however, always in harmony. In such functions the national committee provides extra-economic control of the economy in its district. The authoritative function (with a descending tendency in the class-suppressive sense) and the cultural-educational function (with an ascending tendency) are implemented in our economy mainly because work has not yet become the overriding human need in socialism. Again, the economic function of national committees is not limited to the economic area alone; it affects all areas of society's life -- every area in the competence of national committees.

National committees participate directly or indirectly in the achievements of our national economy by positive achievements of all their activities, i.e., by all their activity they fulfill their task in the development of our national economy, first of all, directly, i.e., by their direct management of the production (production organizations, enterprises) entrusted to them and by their investment, technological and other development, and at the same time, also indirectly, i.e., by meeting the vital needs of our citizens, such as housing, supplies, transportation, technical equipment of their territorial districts and the development of services and, last but not least, by creating and developing the environment in their territorial district.

As for their direct effect on the development of our national economy, the importance of the role of national committees is evident from quantitative data expressing the share of the economy managed by national committees in all of our national economy. At the same time, this also demonstrates the high degree of coresponsibility of our national committees for the implementation of our party's and state's economic policies. Along with the educational and health systems, the economy managed by national committees has a full one-third share in the expenditures of our state budgets and employs approximately 25 percent of gainfully employed citizens (this represents more than 1,500,000 employees, almost half of them in services); its share in the total volume of investments in the state is again roughly 25 percent.

The qualitative aspect of this role of national committees is in principle always determined by the basic tasks of our socialist society in the economic development in the given developmental stage. In the stage of the building of developed socialism in our country our main concern is to transform our economy as efficiently and as rapidly as possible into a type of an intensively developing economy, which in terms of world technical and economic parameters means to strive for the achievement of the highest standard of efficiency and quality of our social production and labor, mainly on the basis of R&D (including innovation of all orders) in every area of human activity related to economy.

Although this task applies essentially to the sector of national economy that is directly managed by national committees, due to the new legal amendment the activity of national committees reaches various areas of the sector of national economy that is not managed by national committees and that is managed by central branch agencies or other central organs (particularly the Central Council of Cooperatives). By this activity national committees primarily develop their territorial districts in a comprehensive and proportional manner, especially by preventive or follow-up measures in the sector of environmental creation and protection in their district. In addition to specific individual actions undertaken by national committees in the sphere of the national economy that is not directly managed by them, the fulfillment of the coordinating function of national committees vis-a-vis both economic areas is of particular importance in terms of the needs of the comprehensive, balanced and dynamic development of the entire territorial district under the administration of an appropriate national committee. Of course, in the process of intensified development of our economy the fulfillment of tasks in other areas of the activity of national committees is a fundamental requirement for the social effect of their operations. This applies in particular to the implementation and application of state economic policies in the sector of wages, labor forces and socioeconomic needs, especially housing, supplies, transportation and services in the conditions of the district. This is also linked with the tasks of environmental protection and creation or as the case may be, with the improvement of the environment in the district. The coordinating function of national committees is also of great importance for the social effect of all activities of national committees, as long as it pertains to all areas of their operations as a whole.

In the light of these correlations it is necessary to respect the special facets of the economy managed directly by national committees by which this area differs from other areas of our national economy. These idiosyncrasies stem primarily from a narrower production-technical base, and at the same time from its great ramifications and diversity (particularly in comparison with the industry managed by branch ministries) and from the broad scope and diversity of services rendered to the public. Thus, even if common principles of the Set of Measures apply as a rule in the management of national committees, numerous deviations are still evident in it.

While the centrally managed branch economic production units [VHJ] are beginning to fulfill the function of basic units of management in the enterprise economic sphere, enterprises continue to be regarded as the basic unit of management in the economy managed by national committees -- with certain restrictions and exceptions. Enterprises managed by national committees are also taxpayers contributing to the state budget. However, development funds have not been introduced in them and the turnover period for inventories is stipulated in them in a differentiated manner, according to their branches. For example, decisive are indicators of labor and services, outputs in planned prices, etc., rather than the indicator of adjusted value added or, as the case may be, economic results, material costs, etc., rather than than profitability.

With the objectively expanding role of national committees on all levels at the current stage of development of the national economy, the main directions and basic measures for its most efficient fulfillment possible are directly linked. This concerns essentially gradual implementation of the societywide concept for further improvement of central, local and territorial agencies of state authority and administration, which has begun to be introduced not only in our country but also in other socialist countries, especially in the USSR and GDR. Both the growing role of national committees and the corresponding complex of mechanisms for its implementation are a realistic expression of the current state in the development of production capacities and of the improving relations of socialist production in our society, with the legal basis in the amended law on national committees.

The concept of the necessary continuous improvement in the operations of national committees on all levels as the prerequisite for the fulfillment of their role in the current stage of the development of national economy, represented by the achievement of a comprehensive economic and social development of a given territorial district and by accountability for it, depends on the fulfillment of these basic directions in the development of their activities.

Above all, it is social democracy as the fundamental political principle of our society implemented and intensified more thoroughly and more broadly in the conditions of the district of the national committee, and enforced by our working people's intensified, more effective participation in the comprehensive management and administration of a given district.

Furthermore, this concerns better planned management in the conditions of the district on the basis of meticulous specification and consistent application of both aspects of democratic centralism as our society's fundamental principle of political organization on every level of management. Nevertheless, the basic issue in this conjunction is the projection of central planning and management into better management and administration of territorial or, as the case may be, local agencies of state authority and administration, as well as better interrelation of the administrative center with territorial districts (as regards efficiency of appropriate state functions).

Finally, this concerns more efficient management and administration of national committees on the basis of improved planned management and socialist economic mechanisms.

The fulfillment of those tasks may bring a more substantial contribution toward efficient exploitation of the untapped assets in local and territorial conditions as well as of material and human resources for the fulfillment of the comprehensive role of national committees in the development of our national economy. By the same token, this means further consolidation of national committees as supreme organs of state authority and administration in appropriate territorial districts under increasingly challenging conditions.

Naturally, the achievement of these objectives depends on considerable social exploitation of certain new aspects of the legislative amendments stipulating the principles for operations of national committees, above all, on an expanded authority of national committees on all levels; the effect of their activity on individual levels is newly defined according to the principle "from the basic level upward," and not in the direction from the KNV down. Furthermore, it depends on upgraded competence and authority of the elected bodies of the national committees -- plenary sessions, councils and commissions, and deputies -- and not on the apparatus of the national committees; and finally on expanded and intensified functions of national committees, including the deputies in relation to the centrally managed organizations and institutions in the district. This is what the legislature had in mind when formulating appropriate stipulations of the amended law on national committees.

Basically, this means expanded authority of national committees and their elected officials on all levels, which is a genuine expression of their increased responsibility for the comprehensive socioeconomic development of the district in which they function.

In these correlations the extended authority of national committees also applies to selected investments in a differentiated manner, according to the given level of construction. For example, for the KNV it means greater responsibility when drafting district and territorial plans in terms of an efficient deployment of investments and consequently also of work forces. This calls for the KNV to assume a competent, responsible attitude to the developmental concepts of the centrally managed organizations and enterprises. In this case, that means enforcement of extended authority vis-a-vis organizations that are not managed or administered directly by national committees. According to the new regulations in force, their economic management has the duty to acquaint the national committee with its investment and production plans ahead of time and also to respect its justified objective proposals. A considerable untapped potential for an improvement of social efficiency within districts managed by national committees still exists in active cooperation of the national committees with centrally managed organizations. In addition, the deputies of national committees may address their inquiries to those organizations and submit to them their suggestions and proposals concerning the needs of the residents in the district, and the organizations have the obligation to give a competent reply.

As indicated above, in order to render the method of interrelations between national committees and centrally managed organizations as functionally effective as possible and thus to give it the character of socialist cooperation, appropriate officials and functionaries of national committees must adopt an attitude of high social involvement and creativity based on expertise. It is especially important that deputies of national committees adopt such an initiative approach because their actions determine above all the activity and initiative of other organs of national committees and of the residents in their representative districts. The most efficient method for the consolidation of genuine authorities of the deputies of national committees depends on the same approach, which also is at present one of the fundamental problems in improving the operations of the territorial and local organs of our socialist state.

As we have already mentioned when outlining the activity of individual levels of national committees, another essential prerequisite for more effective participation of national committees in the development of our national economy is their progress from the basic level up, and not in the reverse order. Consistent and rational application of this principle, which represents a vital aspect of socialist democracy not only in economy, offers national committees, particularly those on lower levels, an open space for a broader, realistic economic basis for their operations. Along with appropriately extended authority, this offers an auspicious precondition for national committees for rational and efficient economic decisionmaking in many directions in the operations of national committees. At the same time -- in view of the political economic consequences for pertinent territorial districts -- the question of economic decisionmaking at present has gained considerable importance, particularly with regard to elected officials of national committees. The above-mentioned amendments have changed our social practice, according to which the fulcrum of economic decisionmaking was based on the kraj and okres national committees, with objective consequences for the lower levels of national committees. There is no need to add that if this practice should continue, it would hinder the principle of accountability of national committees on all levels for a comprehensive socioeconomic development of the district in which they operate.

Although national committees are developing their territorial district comprehensively, especially the social and economic sectors, and although they are responsible for that development, every sector of the National Front participates in that endeavor. Being accountable for this comprehensive task, the national committee serves at the same time as the highest coordinator of a thorough fulfillment of that task in its territorial district. Naturally, from general responsibility for the development of the district it follows for the national committee that it is responsible for its comprehensive development not only in the sphere or organizations which it manages or administers, but also in the sphere of organizations that are not subordinate to it, and at the same time for balancing the development of both spheres, which represents a comprehensive development of a given territorial district as a whole. Organizations managed by branch ministries (enterprises, factories) and organizations of the cooperative sector hold the major share in the sphere of nonsubordinated organizations. In particular, cooperative organizations have a direct impact on the district, and therefore it is appropriate to enforce proper efficient methods of socialist cooperation between the national committee and cooperative organizations.

The following three prerequisites are of the greatest importance for the fulfillment of this comprehensive function: First, the grant of appropriate authority to the national committee also vis-a-vis the organizations in the district that are not subordinate to it. In this respect the amended law on national committees grants them all the necessary rights, one of which permits the plenary session of the national committee to decree that also organizations which are not under its management pool appropriate financial funds for the purpose of fulfilling a task of importance for the whole district, for example, in the environmental area. Another right is to intervene more

effectively with nonsubordinated organizations on issues stemming from the liquidation or phase-out of insolvent productions or productions posing major danger to the environment.

The second prerequisite calls for furnishing the national committee with all necessary apparatus, especially with politically and professionally qualified personnel. This is primarily a joint task for the national committee on the given level and a national committee on a higher level, particularly when it concerns transferring certain experts from the national committee on a higher level.

The third basic prerequisite concerns politically and professionally trained specialists who are members of the elected collective bodies of the national committees. In addition to the deputies who constitute the council and the plenum of the national committee, attention must be continuously focused on the achievement of the required standard for individual commissions (composed of deputies as well as of experts), whose performance determines the quality of the economic and political decisions adopted by the council and by the plenary session of the national committee.

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The program of national committees implementing the comprehensive socio-economic development of their appropriate territorial districts aims at creating conditions to promote societywide interests in unity with the interests of groups, communities and citizens; here the role of societywide interests determines the creation of preconditions for a proportional, efficient development of every area of public life in a territorial district. Moreover, this means better and more thorough satisfaction of justified interests, demands and needs of our citizens and simultaneously it prepares the groundwork for the development of the activity and initiative of our citizens in relation to our socialist society and to our socialist state which is the prime basis for the quintessential activity of national committees as the organs embodying the power of the people.

Our party and governmental agencies are constantly focusing their attention on raising the standard of the managing, administrative, organizational, control and mass political programs of the national committees, on concerns about their closer identification with the vital needs in a territorial district, with the needs and demands of our citizens, and on strengthening their democratic foundations. From that perspective in particular the decisions adopted by the Sixth Plenum of the CPCZ Central Committee in April 1982 are especially important. An essential prerequisite for the fulfillment of new, more challenging tasks by our national committees in the sector of economic development within their competence also calls for profound understanding, meeting of greater challenges and ability to resolve more complex problems. National committees may prove their mettle only if they can make the necessary turn in the methods and efficiency of all their

managing and organizational work, if they look more critically at the serious shortcomings in many sectors of our public life, and if they launch a vigorous battle to overcome those shortcomings under the leadership of our party organs and organizations.

9004

CSO: 2400/307

TRADE UNIONS ENLISTED IN STRUGGLE WITH ECONOMIC CRIME

Prague RUDE PRAVO in Czech 2 Apr 84 p 3

/Article by Ladislav Jouza/

/Text/ A total of 33,676 people were prosecuted for economic crimes in 1981, the number rose to 36,565 last year, and 20,147 people were brought to trial as compared to 18,853 in 1981. These numbers are not pleasant to contemplate. To remedy the situation, it is necessary to combine the efforts of all organizations administering national assets and of managerial organizations in cooperation with national committees, trade union agencies and other social organizations.

The first step toward this goal is a set of joint measures by the Czech Trade Union Council, the Prosecutor General's Office and the CSR Ministry of the Interior for cooperation in strengthening socialist legality and the participation of officials and organizations of the Revolutionary Trade Union Movement in safeguarding the economy. Regional and district trade union councils approach the development and execution of long-range plans for the struggle against economic crime in accordance with those measures.

For example, the Presidium of the General Committee of the Trade Union Federation of Commerce Workers adopted measures to improve political organizational work to help strengthen socialist legality. It established goals and the shared responsibilities of trade union officials to improve the protection of the socialist economy.

The District Trade Union Council in the Plzen municipality succeeded in having 25 key enterprises work out their own comprehensive measures for safeguarding the economy. Similar measures were adopted by the Prague Trade Union Council and accordingly by all the Prague Borough Trade Union councils as well.

Cooperation Within Enterprises and Plants

It would be a mistake to think that measures taken at the trade union council level are a cureall and by themselves will bring about a radical reduction in economic crime. Much work awaits lower-level trade union officials directly in the workplace, especially in those enterprises and plants where shortcomings are most prevalent. For example, in the Poldi United Steel Works National Enterprise (Kladno) there were altogether 14,982 cases of transgressions against

work discipline in 1975; in 1980 there were only 3,175 cases and a decrease in the number of defective products as well. This improvement was achieved by the successful implementation of a set of measures by the enterprise committee of the Revolutionary Trade Union Movement, the management and the enterprise committee of the Union of Socialist Youth. Offenders are invited to attend meetings of trade union sections and workshop committees; infractions are dealt with even by the socialist labor brigades. Some cases are publicized by means of wall posters issued by workshop committees.

There are problems with the protection of property in socialist ownership even on the Prague reconstruction project. Some of those problems stem from the scattered locations of the work sites and often unsatisfactory working conditions. Accordingly, on the initiative of the factory committees of the Revolutionary Trade Union Movement, managerial personnel, who impose disciplinary measures, are being invited to attend proceedings of the arbitration commissions. It is impressed upon them that continual improvement of working conditions is an integral part of the duties of a manager and that such improvements also contribute to the strengthening of worker discipline.

The involvement of trade union officials within enterprises is contributing to the decrease of negative phenomena in all areas. For example, enterprise committees of the Revolutionary Trade Union Movement in the Chotebor Machine Works, Bohemia Svetla nad Sazavou Glass Works, Machine Works and Foundries in Roudnice, as well as elsewhere, concern themselves regularly with safeguarding the socialist economy and with the participation of trade union sections in the process. Furthermore, in the key Ostrava enterprises, the trade union organizations in cooperation with management worked out joint measures for the protection of socialist assets. They aim to provide means for strengthening work discipline and properly utilizing work time, as well as bringing people back into the work process after punishment was carried out. A total of 180 of the district enterprises have established commissions, under the sponsorship of the Revolutionary Trade Union Movement enterprise committees, for this purpose.

#### We Pay For Our Mistakes

However, it is not enough to determine that shortcomings exist; it is necessary to root them out. Trade union officials should see to it that management draws appropriate conclusions and fixes responsibilities under economic and possibly also civic laws. An especially unsatisfactory state of affairs--as confirmed by information acquired by trade union officials through control exercised by social organizations--exists in the enforcement of claims for compensation for damages against those workers of the organizations who, by not carrying out their work duties properly, have caused damage. Enterprises should exact compensation from the culprits rather than excuse themselves by saying that the culprit had already suffered disciplinary punishment. Imposing disciplinary measures and demanding compensation do not constitute double jeopardy, as is often mistakenly thought. The Labor Code requires managers to enforce payment of compensation for damages as a matter of duty.

In practice this happens only occasionally. In the enterprise 07 Bytostav Ostrava, out of six workers charged with offenses against work discipline, only

two were made to pay compensation for damages--and only after the courts brought attention to it. A worker at the Juhocukor enterprise in Dunajska Streda was given only disciplinary punishment for stealing 70 kg of sugar. The Municipal Building Enterprise in Roznava also merely disciplined a worker for stealing solid alcohol worth 750 Kcs. There are, however, enterprises, such as the Automobile Works, National Enterprise AZNP Mlada Boleslav, Sazavan Zruc nad Sazavou, Jiskra Tabor and others, that consistently fine workers for the damage they cause.

#### Not Only Lawyers

The experiences of trade union officials confirm that acting together brings results. For example, the district committee of the Trade Union Federation of Commerce Workers in Litomerice adopted its own measures for protecting the economy, designed primarily to reduce the number of short deliveries and business losses. Similar measures were incorporated by enterprise committees of the Revolutionary Trade Union Movement of this district into their planned activities; most organizations have their own plans for such measures already in place.

The effectiveness of cooperation agreements of more than 3 years' duration was evaluated by the aktiv of the Czech Trade Union Council. It concluded that cooperation of trade union officials with the Ministry of the Interior and the Prosecutor General's Office has improved. The problems of safeguarding the economy are dealt with mostly by the regional and district trade union councils, although concern with them is gradually making its way to the workshop level of the enterprises. Even the smaller organizations will have to begin to tackle such problems because these are questions of concern not only to the legal aktiv but definitely also belong in the sphere of trade union activities.

12605

CSO: 2400/306

## DELIVERIES OF AGRICULTURAL MACHINERY IN 1983 EXCEED PLAN

Prague SVET HOSPODARSTVI in Czech 21 Mar 84 pp 1-2

[Article by -ik-: "More Machinery for Our Agriculture"]

[Text] The network for trade with agricultural machinery of the Agrozet syndicate delivered to our agriculture in 1983 more equipment necessary for mechanization than stipulated for that particular period by specifications of Decree No 151/82 on the development of branches producing food for the people, issued by the CSSR Presidium. According to that document, Czechoslovak agriculture was to acquire during the Seventh 5-Year Plan machinery investment from the Agrozet syndicate in the value of Kcs 16,071 million, of which Kcs 4,240 million was designated for 1983. However, the actual deliveries in the value of Kcs 3,846,100 exceeded by Kcs 600 million the task for 1983 as well as the total value of their deliveries in 1982. Thus, in the 3 years of the 5-year plan Czechoslovak agriculture acquired from the Agrozet syndicate almost Kcs 10 billion in machinery and equipment either manufactured in our country or imported.

Governmental Decree No 151/82 not only stipulated the total volume of machinery to be delivered by Agrozet as the principal manufacturer and supplier of agricultural technology, but also specified the amounts of its deliveries of selected types of essential means of mechanization. Heeding the requirements and needs of further intensification of our agricultural production, the Agrozet engineers last year greatly increased the production, imports and deliveries of precisely the most popular machinery.

As for agricultural machinery and, specifically, technology which used to be in short supply, the deliveries of grain sowers increased by 30.5 percent from 1,027 units in 1982 to 1,341 units in 1983. Two hundred and seventy maize-spacing drill units were ordered and 274 such units were delivered. The deliveries of the plows in demand increased from 1,482 units in 1981 to 1,692 units in 1982 and to 2,246 units last year, which denotes a semiannual increase of 32.7 percent. In addition, in 1982 Czechoslovak agriculture acquired 83,900 share cultivators from Agrozet in Roudnice, to which the first 190 PH 2,020 disk cultivators were added last year. The deliveries of combines doubled from 356 units in 1982 to 706 units last year. Of the 1,500 units specified for the Seventh 5-Year Plan, 1,462 units were delivered in 3 years, which is 97.5 percent of the task for the 5-year plan. The first 155 units of the Zetor 7045 Horal tractors with sets of cutter bars, meadow chutes,

tedders and System Zetor Horal groupage wagons delivered last year substantially upgraded our agricultural enterprises' inventory of technology for operations on hillsides. Last year the ZTS in Martin delivered to our agriculture 78 units of MT 8-046 mountain harvesters, and a limited number of Reform 2002 harvesters were imported from Austria.

The rapidly escalating deliveries of the popular tedders and side delivery rakes (1981: 700 units; 1982: 1,367 units; 1983: 2,065 units) fulfilled in 3 years 100.8 percent of the task stipulated for the entire 5-year period. Instead of 4,100 units to be delivered before 1985, as many as 4,132 units have already been delivered. Last year the task to deliver self-propelled fodder harvesters manufactured in the CSSR and the GDR was raised to 750 units; however, 832 units were delivered. The share of their deliveries is commensurate with the task for the whole 5-year plan.

According to the requirements of Czechoslovak agriculture, the deliveries of E 512 harvesters from the GDR also substantially increased (1981: 417 units; 1982: 891 units; 1983: 959 units), while the deliveries of energy-intensive E 516 threshers declined. Last year Czechoslovak agriculture also acquired the first 158 Bizon Super combine harvesters from Poland. Thus, Czechoslovak agriculture acquired a total of 1,562 units of popular models of combine harvesters. In view of higher demands made by Czechoslovak agriculture, the deliveries of high-pressure straw compressors also accelerated rapidly from 120 units in 1981 and 221 units in 1982 to 310 units in 1983. The task for the 5-year plan calling for 600 units of such compactors was 108.5 percent fulfilled in 3 years.

The deliveries of 4-row potato planters amounted last year to 213 units and that of 6-row planters to 60 units, which corresponds to the specifications of Government Decision No 151/82 as well as to the appropriate share of the deliveries for the entire Seventh 5-Year Plan. Thus far the deliveries of 2- and 3-row potato harvesters from the GDR have also risen rapidly from 140 units in 1981 to 360 units in 1982 and to 440 units in 1983. The deliveries of TRI-023 potato sorters from the Agrozet factory have been steadily increasing: from 58 units in 1981 they rose to 84 in 1982 and last year to 88 units. Thus far 150 units of the KSKU 6 self-propelled maize harvester have been delivered to Czechoslovak agriculture (1981: 5 units; 1982: 70 units; 1983: 75 units).

The delivery of 31 units of NUCS machinery for sugar beet cultivation and harvesting in 1982 and of 55 units in 1983 satisfied the demand for the time being. Last year our beet growers also acquired 259 3-row diggers, 235 SC-031 self-propelled beet toppers and 141 KS 6B self-propelled harvesters.

Last year our agricultural enterprises acquired additional popular crop loaders for handling the material. Deliveries of T 174 crane loaders from the GDR rose from 104 units in 1982 to 138 units last year, and that of ND 4-022 universal hydraulic loaders manufactured by the Agrozet in Humpolec by 90 percent--from 330 units in 1982 to 572 units in 1983.

As in recent years, last year again deliveries of RUR 5 manure spreaders from Agrozet in Pelhrimov were far exceeded--from the stipulated 400 units to 703 units. The CSSR agricultural enterprises received in 3 years 2,647 units,

which is already 103.6 percent of the task for the whole 5-year period. Deliveries of RMA 8 motorized manure spreaders increased from 554 units in 1981 and 652 units in 1982 to 772 units in 1983. Deliveries of tractor trailers and haulers with 3.5-9 ton loading capacity have been increasing year after year (1981: 1,880 units; 1982: 1,984 units; 1983: 2,473 units).

Since the beginning of the Seventh 5-Year Plan, and in particular in 1983, deliveries of tractors rose sharply: Czechoslovak agriculture acquired 5,387 units in 1981, a total of 6,533 units in 1982 and 9,667 units last year, while the specification called for 7,098 units. Thus, the semiannual increase represents almost 50 percent. Deliveries of the unified series I of lighter Zetor tractors made in Brno increased considerably--36.7 percent--from 4,606 units in 1982 to 6,298 units last year, as did those of the heavier Zetor Crystal tractors of unified series II made in Martin--from 589 units in 1982 to 1,593 units last year. The line of the delivered models had also been adapted to the requirements of Czechoslovak agriculture. In 1981 Czechoslovak agriculture acquired 18 light, fuel-efficient three-cylinder Zetor 5011 [tractors], as many as 304 in 1982 and 979 units last year; a total of 223 Zetor 7045 tractors with front wheel drive in 1982 and 557 in 1983, and, in addition, 155 units of the modified Horal model of those tractors. The deliveries of Zetor Crystal with front wheel drive increased sharply from 166 in 1982 to 735 units last year. In view of the fact that more TZ 4K 14 small tractors were delivered by the Agrozet in Prostějov (1982: 156 units; 1983: 222 units) and small TV 420 tractors from the Socialist Federated Republic of Yugoslavia (1982: 124 units; 1983: 313 units), Czechoslovak agriculture last year acquired 535 small tractors. Additional deliveries last year included model ZT 300 and ZT 303 tractors, caterpillar tractors from the USSR, Kirovets K 700 A road tractors and vineyard tractors from the Bulgarian People's Republic.

The further specified data on last year's deliveries not only are considerably higher than the 1982 level and than the tasks assigned for 1983, but they also exceeded the preliminary data on the technology delivered last year to Czechoslovak agriculture, as quoted by the Federal Bureau of Statistics in its report on national economic development and on the fulfillment of the state plan in 1983.

The development of the material and technological base of Czechoslovak agriculture continues in the current year. Projected deliveries of grain sowers in the popular line of models call for 1,645 units, or 22.6 percent more. The number of maize-spacing drills will amount to 94.6 percent of the total of 1,300 units stipulated for the entire 5-year period. An additional 2,660 plows, including the popular models from Agrozet in Roudnice nad Labem--175 5-row cultivators for plowing in maize husks and 470 PH-1-434 plows for lower capacity tractors--will be delivered. Thus, the number of plows delivered since 1981 will increase to 8,080 units, which is 108.5 percent of the task for the whole 5-year plan. Deliveries of disk cultivators will increase this year to 565 units. The task of the 5-year plan for delivery of 1,500 combines which will be exceeded already this year with a wider line of models amounts to 136.8 percent. According to the plan, the deliveries of the Zetor Horal system have been raised this year to 280 sets and the deliveries of MT8-048 mountain reapers manufactured by the ZTS in Martin to 150 units. According

to the projection, 1,650 tedders and rake units and 718 self-propelled fodder mowers will be added.

For grain crop harvest Czechoslovak agriculture will obtain an additional 1,450 harvester combines, including 300 Bison Super units, and 350 more straw compressors. The deliveries of 4-row planters to our potato growers have been increased from 265 units to the detriment of the production and delivery of 6-row planters; 430 potato harvesters from the GDR and 110 TR 1-023 potato sorters will be added. Deliveries of RUR 5 manure spreaders will amount this year to at least 450 units, of automotive spreaders to 720 units, and of tractor trailers and haulers to 2,700 units.

The plan for the deliveries of tractors calls for 7,900 units this year. Thus, the deliveries will amount already to 98.7 percent of the task for the entire 5-year period. The deliveries of the unified series I Zetor with front wheel drive will be substantially increased (from 741 units last year to 1,303 units planned for this year). If our agricultural enterprises will have at their disposal adequate amounts of restricted funds for the procurement of machinery investment, the deliveries of agricultural technology this year will again exceed their currently stipulated volume.

9004

CSO: 2400/316

FEBRUARY 1984 ECONOMIC RESULTS SUMMARY PUBLISHED

Prague HOSPODARSKE NOVINY in Czech 30 Mar 84 p 2

[Commentary by Dr Engr Vaclav Cap, CSc, Federal Office of Statistics: "February 1984"]

[Text] This year is not only decisive for the fulfillment of the entire 7th Five-Year Plan, but also the year that will be used as the basis for drafting the specific targets of the next five-year plan. From the very first months of this year, therefore, attention must be devoted to quantitative fulfillment of the specific planned volumes for the creation of resources, and to further enhancement of the processes of intensification and of raising efficiency. Favorable conditions were formed last year for the further development of the national economy, and it was demonstrated that the workers and the managing organs were willing and able to accelerate the rate of development.

The results achieved in February and, simultaneously, also in the first two months of this year, particularly in industry and foreign trade, indicate that the start into 1984 has been favorable. They have been influenced also by the rate achieved in the final months of last year. The growth rate of production in February, in the same way as in January, was affected by one more working day than during the same month of last year. From the beginning of this year there were two extra working days over the first two months of last year, and this must be taken into consideration when evaluating growth.

In comparison with the same period a year ago, industrial production was up 7.3 percent in February and 6.6 percent in the first two months of this year. If we project the effects of continuous operations, average daily production was up 3.3 percent in February and 2.7 percent during the first two months. The state plan calls for an increase of 2.9 percent over the level estimated at the end of 1983. In comparison with the reported actual level for last year, the planned level of industrial production for this year is 2.5 percent higher. It is certainly possible to maintain the attained growth rate of industrial production so that it will be at least as high as last year, but a basic requirement is that high increases in production and the overfulfillment of the plan be achieved in those branches and sectors whose products can be sold very profitably in foreign markets, particularly in the Soviet Union and the capitalist countries, or whose products enrich the domestic market and are in demand. At the same time, constant emphasis must be placed on curbing energy-intensive and import-intensive production. The trend during the first two

Basic Indicators of National Economy's Development in February 1984.  
Increases Over Comparable 1983 Period (in percent)

	<u>Feb</u>	<u>Jan- Feb</u>	<u>State plan<sup>1</sup></u>
Centrally Administered Industries			
deliveries for:			
- investments, at wholesale prices	.	-0.7	-3.7
- domestic trade			
at wholesale prices	.	4.1	2.0
at retail prices	.	3.8	3.1
- export to socialist countries			
at wholesale prices	.	11.7	5.8
at f.o.b. prices	.	13.5	.
- export to nonsocialist countries			
at wholesale prices	.	12.9	4.0
at f.o.b. prices	.	14.5	.
- other sales for productive consumption and operations, at wholesale prices	.	5.8	.
volume of industrial production-	7.3	6.6	2.9
average number of employees	0.7	0.6	0.8
labor productivity based on industrial production	6.5	5.9	2.1
Construction			
construction work performed with own personnel	4.4	3.5	1.6
average number of employees	0.3	0.2	0.3
labor productivity based on construction work	4.1	3.3	1.3
housing units delivered by contracting enterprises	43.6	60.7	-4.8
Procurement			
slaughter animals (including poultry)	8.3	10.3	-2.1 <sup>2</sup>
milk	9.1	6.8	-4.7 <sup>2</sup>
eggs	9.8	11.6	-3.9 <sup>2</sup>
Retail Turnover			
main trade systems	7.0	4.9	1.7 <sup>2,3</sup>
Foreign Trade <sup>4</sup>			
export to socialist countries	.	12.4	8.9
export to nonsocialist countries	.	31.1	4.6
import from socialist countries	.	12.1	10.7
import from nonsocialist countries	.	9.2	3.2
Personal Incomes	2.9	2.0	1.6
of which income from wages	2.5	1.5	1.1
<u>Actual Cash Expenditures</u>	7.9	5.8	2.0
1. Expected 1983 results.			
2. Actual 1983 results.			
3. All trade systems.			
4. Data on actual results refer to total transactions. The state plan (in distinction from total transactions) does not include unplanned transac- tions within the framework of cooperation, unplanned reexport, swaps, tie-in sales, etc.			

months of this year indicate that these basic requirements are being fulfilled, although not to the extent that the plan demands.

In the structure of industrial production, the favorable rise of production in engineering continued. Over the first months of last year, production increased by 6.1 percent in heavy engineering, 12.9 percent in general engineering, and 13.5 percent in the electrotechnical industry. The rise of production was relatively fast in other branches of manufacturing as well: 7.3 percent in the woodworking industry, 8.4 percent in the pulp and paper industry, and 7.3 percent in the glass, ceramics and porcelain industry.

However, production also rose by 2.5 percent in metallurgy, 4.5 percent in the chemical industry, and 4.5 percent in the building materials industry. The 8-percent increase in the output of electricity must likewise be viewed critically. It indicates that the continuous supply of electricity and fuel lulls customers into exerting little effort to uncover additional possibilities for reducing fuel and power consumption. Sometimes discipline even declines in maintaining the present level of the specific consumption of electricity.

In January and February, sales of industrial products developed generally in agreement with their planned directions of use. Deliveries for domestic trade and foreign trade rose at a faster rate during the first two months than what the annual plan calls for. The pronounced increase of deliveries for export at wholesale prices was even accompanied by their somewhat faster increase at f.o.b. border prices, an indication of efforts to improve the structure of export in favor of a more advantageous product mix in terms of prices, or to attain more favorable prices. It will be possible to evaluate the influence of the development of foreign prices only when more time will have elapsed.

Constant attention is being devoted to inventory positions, especially of inventories of finished products. The 1984 plan anticipates only a moderate rise of inventories in industry (without the inventories in the food industry), with the provision that any increase in inventories over the planned level last year will be included in the increase of inventories this year. The development in January shows that inventories in industry (without the food industry) increased by 6.3 billion korunas over the year-end inventories.

In construction, January and February showed a regular decline, of about 15 percent, in the volume of construction in place as compared with the fourth quarter of last year. In comparison with the same months of last year, the volume of construction in place was higher by 4.4 percent in February, and by 3.5 percent in January through February. The average daily output in construction declined by 0.6 percent in February, and by 1.3 percent in January through February. In the same way as in years past, the output in construction is characterized not only by its seasonal nature (the influence of winter weather) but by overall unevenness as well. This is reflected also in the number of completed housing units. In the first two months of this year, the contracting enterprises completed merely 3.6 percent of the housing units specified in the annual plan.

In housing construction, both the construction enterprises and the investors must see to it that the completed housing units can be inspected for acceptance

immediately upon their completion. More than 30 percent of the housing units inspected for acceptance in the first two months of this year had been completed last year in some krajs, and as much as 90 percent in Prague. The various minor repairs that usually are required before acceptance must be made essentially at the expense of the construction work planned for this year, because it is understandable that such repairs can be included only in last year's volume of construction in place.

The procurement of livestock products is proceeding favorably also this year. The procurement schedule has been fulfilled. Over the first two months of last year, deliveries of slaughter animals (including slaughter poultry) increased by 27,600 tons; of milk, by 55.1 million liters; and of eggs, by 51.8 million. The decisive question at present is to coordinate the livestock population with the available feed and fodder supply, while maintaining and increasing the stocks of cattle. Efficient utilization of the available feed and fodder belongs among the obvious duties of the agricultural enterprises.

In foreign trade, the very sharp rise in export in comparison with January and February of last year might have been influenced in part by a change in the method of accounting exports (earlier, products were regarded as exported when the shipment crossed the border; as of this year, however, products are regarded as exported when they are loaded on board by the last carrier abroad). In spite of this, the expansion of export reflects the exporters' efforts to adjust to the needs of the national economy. Within the 18.3-percent rise of total export, export to the socialist countries increased by 12.4 percent; and to nonsocialist countries, by 31.1 percent. But even so, the prorated part of the annual plan was not fulfilled during the first two months of this year. The growth rates of import have been lower so far than what the annual plan calls for.

In domestic trade there was the usual seasonal decline of sales in January and February, in comparison with the pre-Christmas sales and the average for all of last year. The retail turnover of the main trade systems was 4.9 percent higher than in February of last year. The above-average rise in retail sales was evident particularly in fruit and vegetable stores, department stores, and in stores selling industrial consumer goods. For a number of years, the retail turnover of the main trade systems has been following the same trend as personal incomes. Although personal incomes in January and February were below last year's monthly average, they were 2 percent higher than in January and February of last year. At the same time, personal incomes were substantially higher than personal expenditures. Personal savings deposits at the end of February were higher by 12.7 billion korunas than a year ago, reaching 195.5 billion korunas. The currency in circulation rose by 1.9 billion korunas in one year and reached 51.7 billion korunas.

1014

CSO: 2400/314

## MARCH 1984 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 27 Apr 84 p 2

[Commentary by Engineer Vaclav Jezdik, Federal Office of Statistics: "March 1984"]

[Text] The better-than-expected 1983 results must be efficiently utilized this year and fully asserted in stepping up the targets of this year's plan, as required by the 10th session of the CPCZ Central Committee. The national economy's development during the first quarter shows that it is possible to link up with, maintain and further strengthen the favorable trends of last year. This is not an easy task, but it is a realistic one, provided all responsible officials begin without delay to mobilize their reserves and to demonstrate that they are able to utilize the activity and initiative of the worker collectives that they manage.

The results attained in March indicate that the high January and February growth rates this year in the creation of resources, particularly in industry, have slowed down, and that the firming of the targets of this year's plan might be jeopardized if this slowdown were to continue. At the same number of working days as in March of last year, the level of industrial production was only 1.5 percent higher, which is below the growth rate that this year's plan anticipates. No industrial ministry achieved in March the annual plan's growth rate of gross production, which is the state plan's reference indicator. At the same time, the March breakdown of the enterprises' plans was overfulfilled by 1.5 percent, an indication that in their plans for March the enterprises had expected the growth of production to slow down. According to preliminary reports, also the growth of adjusted value added slowed down in industry in March.

The 4.9-percent overall growth of industrial production over the same period of 1983 is still relatively high and was influenced by two more working days than in the first quarter of last year. If we project the effect of continuous operations, average daily production in industry was 2.5 percent higher. At the same time, the enterprises' plans of gross production were exceeded by 1.2 percent; in their first-quarter breakdown the enterprises had thus expected this reference indicator to slow down considerably. The reason for the lower growth rate is also that 177 enterprises, or more than a fifth of the total number, failed to fulfill their plans, and their combined shortfall amounts to a production volume of more than 1.0 billion korunas. Adjusted value added is

Basic Indicators of National Economy's Development in March 1984.  
Increases Over Comparable 1983 Period (in percent)

	<u>Mar</u>	<u>Jan- Mar</u>	<u>State plan<sup>1</sup></u>
Centrally Administered Industries deliveries for:			
- investments, at wholesale prices	.	5.7	-3.7
- domestic trade			
at wholesale prices	.	2.0	2.0
at retail prices	.	3.0	3.1
- export to socialist countries			
at wholesale prices	.	11.3	5.8
at f.o.b. prices	.	14.6	.
- export to nonsocialist countries			
at wholesale prices	.	10.7	4.0
at f.o.b. prices	.	10.2	.
- other sales for productive consumption and operations, at wholesale prices	.	2.8	.
volume of industrial production-	1.5	4.9	2.9
average number of employees	0.8	0.7	0.8
labor productivity based on industrial production	0.7	4.1	2.1
Construction			
construction work performed with own personnel	1.9	2.8	1.6
average number of employees	0.5	0.3	0.3
labor productivity based on construction work	1.4	2.5	1.3
housing units delivered by contracting enterprises	30.9	29.5	-4.8
Procurement			
slaughter animals (including poultry)	1.4	7.0	-2.1 <sup>2</sup>
milk	5.1	6.2	-4.7 <sup>2</sup>
eggs	-3.1	6.3	-3.9 <sup>2</sup>
Retail Turnover			
main trade systems	-0.5	2.9	1.7 <sup>2,3</sup>
Foreign Trade <sup>4</sup>			
export to socialist countries	.	14.6	8.9
export to nonsocialist countries	.	12.5	4.6
import from socialist countries	.	6.8	10.7
import from nonsocialist countries	.	13.4	3.2
Personal Incomes	4.3	2.7	1.8 <sup>5</sup>
of which income from wages	4.2	2.3	1.2 <sup>5</sup>
<u>Actual Cash Expenditures</u>	0.6	3.8	2.0 <sup>5</sup>
1. Expected 1983 results.			
2. Actual 1983 results.			
3. All trade systems.			
4. Data on actual results refer to total transactions. The state plan (in distinction from total transactions) does not include unplanned transactions within the framework of cooperation, unplanned reexport, swaps, tie-in sales, etc.			
5. Preliminary balance for 1st through 4th quarter 1983.			

estimated to have been 5.2 percent higher during the first quarter (i.e., only 2.8 percent higher than in the same period last year, in terms of average daily value added). Even with the rise of this indicator, the industrial enterprises are reporting that they have exceeded by 2.1 percent the first-quarter breakdown of their plan. With some simplification in the computations, it follows that in their plan for the first quarter the industrial enterprises expected only a 0.7-percent increase in their adjusted value added per day worked. In the structure of industrial production the tendencies of faster growth in the manufacturing industries, and of the curtailment of production in the material- and energy-intensive industries, continued during the first quarter. Engineering, the electrotechnical industry, woodworking industry, the glass, ceramics and porcelain industry, and even other branches of light industry achieved higher growth rates than the metallurgical, chemical, and building materials industries. In March and during the first quarter, the output of electricity rose faster than industrial production, which indicates that continuous supply of the economy with electricity (and coal) is diverting attention from rationalization and conservation in the consumption of fuel and electricity. The output of electricity was 5.2 percent higher than in the first quarter of last year.

Despite the slowdown in the growth of sales, in March the volume of deliveries by the principal directions of their use was higher than in January or February. Within the overall structure of sales, the tendencies specified by the state plan were observed during the first quarter, and the increases in deliveries for export and for domestic trade were higher than what the annual plan calls for. Profitable export remains the principal requirement that production enterprises and foreign-trade enterprises must meet. The export tasks are set in value terms, and therefore the product mix of export must be changed in favor of products whose f.o.b. price to wholesale price ratios show the most pronounced positive difference (i.e., products with the most favorable comparative price indicators).

Domestic trade, too, demands constant product innovation, so that the variety and abundance of merchandise in the domestic market may help stimulate performances and raise labor productivity. Decisive for capital construction are primarily the timely deliveries of machinery and equipment for the monitored investment projects, particularly the ones that are to be completed this year or next year. Delays in deliveries as compared with the schedules of some of these projects indicate already in the first quarter that the coordination of construction work and of the installation of machinery and equipment is not proceeding everywhere as planned.

At the construction enterprises the volume of construction work in place increased by 1.9 percent in March and by 2.8 percent during the first quarter, in comparison with the same periods last year. The average daily output was 0.3 percent lower during the first quarter. Although the construction enterprises reported overfulfillment of their plans by 0.9 percent, a comparison with the 1.6-percent increase in the volume of construction in place that this year's state plan calls for clearly shows that construction workers will have to step up their efforts considerably in the coming months. The okres construction enterprises in the CSR and SSR have the largest shortfalls, but the average daily output has been lower than last year also at organizations of both construction ministries.

Procurement of livestock products from the agricultural enterprises proceeded according to schedule in March. Although the pressure exerted late last year and early this year to reduce the poultry and hog population, in view of the feed and fodder supply, was reflected in a slowdown of the procurement of slaughter hogs and of slaughter poultry and eggs in March, their procurement during the entire first quarter exceeded the plan. The rise in the procurement of slaughter cattle and milk continued. Since the beginning of this year, 30,000 tons more of slaughter animals (including slaughter poultry), 78 million liters more of milk, and 44 million more eggs were procured than during the first quarter of last year.

Although public transport carried 2.8 percent less freight in March, and 0.3 percent less in the first quarter than in the same periods of last year, the shippers' entire demand for transportation was supplied. If this declining trend was maintained also in the enterprises' own trucking (the data on which will be available only later), it would mean that the reduction of the transportation intensity is continuing. At the same time, there is a further shifting of freight from trucks to the railroad.

In comparison with the high growth rates in January and February, the growth rate of export slowed down considerably in March. Export during the first quarter was nearly 15 percent higher to socialist countries, and 12.5 percent higher to nonsocialist countries, in comparison with the same period last year. More than a quarter of the annual plan's export to socialist countries, and only slightly more than 23 percent of the planned annual export to nonsocialist countries has been fulfilled. While the volume of import from nonsocialist countries during the first quarter was roughly the same as a year ago, the volume of import from socialist countries increased by 13.4 percent.

Retail sales in domestic trade during March clearly dropped in comparison with the same month last year, particularly in the case of foods (by 1.7 percent), textiles (4.4 percent), footwear (2.4 percent) and furniture (3.4 percent). For the entire quarter, however, the retail turnover of the main trade systems was 2.9 percent higher than a year ago.

Personal incomes rose somewhat faster during the first quarter than what the annual state plan called for. Personal savings deposits increased by 12.7 billion korunas over a year ago, to 196.4 billion korunas on 31 March. The currency in circulation dropped during March, to 50.8 billion korunas at the end of the month.

1014  
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# FUTURE OF ENTERPRISE TASK FORCE TEAMS IN PRESENT FORM UNCERTAIN

Budapest FIGYELO in Hungarian 12 Apr 84 p 6

[Article by Dr Gyorgy Varga: "What Will Become of You, VGM?"]

[Text] From the moment of their birth--the beginning of 1982--our newspaper has followed with interest the organization of the Danubian Ironworks' business work partnerships, the experiences and results of their work, not concealing those contradictions which are linked with their appearance. (FIGYELO No 10, No 49, 1982.) In the recent past the Ironworks organized a roundtable conference on the experiences of the activity of the VGMs [enterprise task force teams] and on the development of the internal undertaking. Participating in the conference were representatives of other metallurgical enterprises, scientific researchers and ministry experts. Undersecretary Dr Bela Csikos-Nagy, chairman of the National Material and Price Office, also took part in the roundtable discussion.

Of the Danubian Ironworks' work force 17.6 percent are VGM members, but the enterprise also has units in which this proportion is 35-40 percent. At the end of last year about 2,000 persons participated in the 174 VGMs.

## Instead of Production

If we turn back the pages to the accounts of the initial period of the Ironworks' VGMs, it turns out that in 1982 the primary field of activity of the business work partnerships was still production. According to data of chief work organization engineer Dr Sandor Szmicssek, in 1982 the enterprise still paid out 48.5 percent of the total disbursed entrepreneurial fee for participation in the manufacture of primary products, while the other chief field of activity--maintenance--represented 40 percent. A significant change took place in 1983, because only 28 percent of the entrepreneurial fee was paid out in cash to VGMs active in production. At the same time, maintenance share increased to 55 percent, and the proportion of the entrepreneurial fee paid out to VGMs participating in investment as well as in intellectual activity grew.

The reason for this structural change is first and foremost that the enterprise--in a comparatively short time--recognized that the possibilities for having the VGMs compete in production were very limited, while in other

fields--especially in maintenance, where perhaps a dozen VGMs compete for identical work--the possibilities were greater. The other reason: for the enterprise the additional output from setting VGMs into operation is greater in maintenance and in investment than in production, especially if the latter can be replaced by the work of a cooperative or an outside cooperating enterprise.

The reason for this structural change is also the fact that while the average work force of the VGMs starting in 1982 approached the maximum 30 persons fixed by law, by the end of 1983 the average work force decreased to 11 persons. This is understandable, because while productive activity required a comparatively larger work force concentration, maintenance jobs called for partnerships with smaller work forces.

The managing director of the Metalworkers' Enterprise said that, where they were, the activity structure of the VGMs is also changing, namely, as a result of the fact that from 1983 the enterprise participated in the experimental wage and income regulation, and thus in the primary worktime process they were able to transform the system of interests. Consequently, in this sphere the primary worktime achievements grew, and the activity of VGMs in favor of services was displaced.

#### Stricter Standard--Greater Income

The VGM leaders and the enterprise representatives taking part in the roundtable conference reported: many people mention that significant purchasing power is surging forth through the entrepreneurial fee paid out to the VGMs. Aside from the fact that behind the comparatively higher entrepreneurial fee there is also greater performance, this does not balance out if in the entrepreneurial fee paid to other enterprises and the VGMs the enterprise pays out significantly greater sums for the same work and service. To be more precise: for the same work assignment, because the experience is that the quality of work and services performed by the VGM is incomparably better than that provided by an outside organization. According to computations by the enterprise's chief work organization engineer, the entrepreneurial fee paid out to the VGMs guarantees for the enterprise a surplus result corresponding at least to its own total. I note that at the Danubian Ironworks, at the suggestion of the trade union, the upper limit of the yearly gross entrepreneurial fee which can be earned by the VGM members is 60 thousand forints. Such a limitation is worthy of consideration, since the composition of jobs, the price rise and the changing qualification for jobs powerfully influence the magnitude of annual "optimal" income.

Otherwise at the Ironworks the preparation of calculations is compulsory for the determination of the entrepreneurial fee and for the statement of the enterprisal result. The initiator factory units prepare these. In the calculations the factory applies a 15-50 percent tightening in comparison with the national standards. Among such requirements the VGMs attain 120-200 percent of the primary worktime achievements. One has to take into account, however, that while in the primary worktime the worker does not have an active

role in work organization, in the VGM--where for him time means money and income--he does. For the VGM member the rational organization of his work becomes a direct interest.

The VGM leaders likewise taking part in the roundtable conference reported that there is nothing extraordinary in their achievements. It is not a question of "superhuman" efforts. The "secret" of the relatively high achievements is good organization of work and a good selection for the VGMs permanent staff. In the VGMs which operate at the Lenin Metallurgical Works strict laws prevail, i.e. in the partnership they differentiate the income according to real achievements, and this is what the members receive. (Here tolerance concerning income differentiation is greater than in the workers' circle with wage regulation which induces withholding of performance.)

#### Bidding Downwards

Various official assessments have already disproved the exaggerations spreading about the income of VGM members. In this dispute, however, they referred to the fact that it is an error to compare the incomes with worker's wages, because the VGM member's income includes not only work income but also entrepreneurial income, and if there is, or will be, capital investment as well, it will also include capital income.

In connection with the allegedly excessive incomes the representative of the Ozd Metallurgical Factories stated that from unskilled workers wasteyard and processing VGMs were organized which have a share in a high entrepreneurial fee for the exploitation of valuable scrap metals. Some people in Ozd object to this. Unfortunately, however, they do not mention that valuable metallic materials end up in waste stockpiles in a comparatively large quantity.

Characteristic of the activity of the VGMs--since in general they have no capital risk and property interest--is the short-term view. This indicates that they certainly do not spare the enterprise's resources, "remove" from the machinery what is in it. It is true that in the enterprise the utilization of resources improves through the activity of VGMs, but since for the most part it is a matter of simple wage-work construction, the aspiration to increase the fixed enterprisal capital in money is squeezed out of the VGM's interest.

At the Danubian Ironworks the VGMs in competition win the enterprise's commissions. The job is won by the VGM which undertakes its performance the most inexpensively. The competition's form: an auction in which the entrepreneurs bid downwards from the enterprisal "upset" price (and deadline) of individual jobs.

It happens that the bidding occurs upwards compared with the suggested price. In such a case, however, the acceptance fee ceiling is limited.

## In a Cartel

In the Ironworks' practice it happened that the VGMs formed a quasi-cartel agreement, and price-offer bidding virtually ceased. The enterprise protects itself against the running up of prices and the dismembering of the internal enterprisal "market" by not preventing the formation of new VGMs and thereby increasing the labor supply. On the other hand, with the likely labor supply it offers fewer bids for auction.

It is true that in certain areas--such as the primary production course--each VGM enjoys a professional monopoly, and here from the outset there is a restricted possibility for competition.

It is a fact, however, that in opposition to the hard and direct material interest of the VGMs the enterprise can assert, more than anything else, moral and ethical factors as a counterbalance. Morality stands in opposition to interest. For this reason--on the enterprisal side--much depends on subjective factors. Are they able, and do they want to keep an eye on the purity of the undertaking. It is a fact that at the present time the purity of an undertaking within the enterprise is based first and foremost on enterprisal supervision and mutual trust, so that, for example, the preparatory work for an undertaking does not take place during primary worktime.

It is necessary to replace the lack of an enterprisal counterinterest with recentralization of confirmation and verification of work and calculations at the Ironworks. This, according to experiences, slows down the processes--without being able to replace the counterpole based on interest.

At the conference held at the Danubian Ironworks, concerning the future of the VGMs there was agreement that those business work partnerships which were organized for the sake of avoiding irrational wage regulation will presumably cease to exist of their own accord, namely, at such a rate that rational, performance-oriented income regulation gains ground. Experience of the last two years proved the postulation we described at the time of the birth of the VGMs, that here it was in part a matter of supplementary action. Namely, that the enterprises through the VGMs are replacing the performance deficiency caused by the current wage regulation. The merit of these small undertakings is that it makes the necessity for change more convincing. It is difficult to forecast in what way the internal enterprisal undertaking will take shape, if the economic organizations' sensitivity to costs and profits grows, if the preparatory work in general is upgraded, and performance and the different intricacies of jobs are better expressed in incomes.

## How To Continue

It is my conviction that the internal undertaking will not die off. Presumably, those motivations and considerations will undergo change on the basis of which the enterprises will encourage the internal undertaking (even at the present moment the foretokens of this are palpable in the enterprises participating in the experimental wage and income regulation). The Ironworks

(and the example of other enterprises, too) demonstrates that in the enterprises there are numerous such fields and activities so that some form of internal undertaking proves to be effective for rational organization and implementation. Such reserves are recoverable and mobilizable which remain hidden in the traditional work organization incomes--i.e., based on wage work. Such fields are, undoubtedly, maintenance, renovations, various services and, above all, intellectual activity. It is remarkable that an insignificantly small part of the VGMs is active in this field. For example, altogether 2 percent of the entrepreneurial fee at the Ironworks goes to VGMs which pursue intellectual activity. I note that on a global scale it is this very field in which the internal undertaking is gaining ground.

On the basis of experiences so far the Danubian Ironworks is seeking possibilities for further development: above all, promoting primary worktime undertaking. It seems that in the current period it is advisable to choose a method of further development which does not entail conceptional modification. This is justified because it is advisable to wait: what influence will the expected modernization of the macroeconomic management system have on enterprisal administration, how will changing circumstances modify the behavior and strategy of managers and employees concerning the internal undertaking.

In the future it is not justified to cling to one single enterprisal form, since today the enterprise can avail itself of many different kinds of possibilities. The practice determines it: where, what enterprisal form or forms are advisable. The reorganization of some units with larger work forces is hardly practicable for an internal, primary worktime undertaking. It is advisable, however, to examine the possibility of transforming such units into an ancillary enterprise.

The experiences of the Ironworks and other enterprises unambiguously demonstrate that the VGMs have stirred thousands of working people, and have made them directly interested in the implementation of activity useful for society. This configuration will develop and change. It is necessary, however, to guarantee the possibility for self-development, and one must be on the lookout for all administrative measures that can unsettle the entrepreneurial trust which even today is unstable.

12327

CSO: 2500/317

## REPORTER PROVIDES INSIGHTS INTO KAPOLYI USSR VISIT

Budapest NEPSZABADSAG in Hungarian 12 Apr 84 p 5

/Text/ It is often noted in the daily news that our economic leaders have conducted a few days of talks with their foreign counterparts of similar rank. Usually, the brief reports only reveal to the outsiders that the Hungarian official left, was received, participated in discussions and arrived home again. According to the unwritten rules of economic diplomacy, this also indicates that the discussions were fruitful.

From these reports, the reader cannot very well surmise what kinds of substantial negotiations are hidden behind the diplomatic routine. Of course, it is not necessary to give a more detailed account of every such talk. But it is useful from time to time if one can glance behind the protocol and can follow what is indeed brought up at these discussions, what the climate and style at the conferences is, what the individual presence and the rapid and direct exchange of information can mean for a direct problem with claims of mutual interest. We were given the chance to do so now, at the most recent conference attended by Laszlo Kapolyi, minister, member of the delegation from the Ministry of Industry, in Moscow.

## Accelerated Time

First of all, about the pace. Although I never thought that these few days of talks abroad would be leisure trips, nevertheless, the acceleration of time, the tightly fitted, operative programs surprised me quite a bit. The balance of the 2½ day long visit to Moscow: talks with eight ministers or their deputies; the signing of two agreements; the opening of two exhibits. One must also take into consideration that the Hungarian minister of industry has more than 30 counterparts in the Soviet industry. And, since he has not been a minister for long, on his current trip he paid careful attention to making personal contact with every one of his counterparts within the brief time available, thereby initiating discussions about mutual deliveries during the next plan period. In fact, it could be one of the foundations for Hungarian industrial growth if, henceforth, the technological and scientific cooperation with the Soviet Union would be made even closer and we would search together for new possibilities of mutually profitable specializations, cooperations and joint ventures. Among them we should primarily expand the export products of our modern, good quality machine industry, chemical industry and light industry. It should be mentioned in advance that the well-prepared series of visits were also favorably received by the Soviet counterparts.

But let us illuminate a few episodes during the discussions. The report--prepared and initialed by the specialists, spelling out that in blocks III and IV of the atomic power plant in Paks the development and adaptation of the guidance technology equipment will already be conducted jointly between the Hungarian research institutes and enterprises, and their Soviet counterparts--was signed at the Ministry of Technological Industry. (The background of the agreement is that in block I, delivered last year and working very well, the main power plant installations were supplied by Soviet and Czechoslovak companies. In the construction of the new blocks, however, there already is increased participation by the Hungarian machine and tool industry. Moreover, the KFKI [Central Research Institute of Physics] and EVIG [United Electrical Machine Factory] has also experimented with some newer solutions which should be profitably considered for the computer guidance technology of other atomic power plants. This was actually spelled out in the current agreement.)

Nevertheless, Deputy Minister Ribakov cannot refrain from commenting:

"I was in Hungary not long ago and I also visited the atomic power plant in Paks. Now I am satisfied. Are you?"

Laszlo Kapolyi replies:

"Oh, this is a very appealing computer. While the bosses were arguing with each other, it continued working."

The mood becomes even more relaxed and the Soviet counterparts are already mentioning how much the timely delivery of a greater than expected number of magnetic disc storage units by the MOM [Hungarian Optical Factory] has helped in fulfilling the current  $\frac{1}{4}$ -year plan. It is also mentioned that the Soviet specialist companies would establish a joint enterprise with Medicor. Subsequently, the discussion is ended by stating that, in the next few years, a much closer relationship ought to be established in the production and supply of fine mechanical and electrotechnical parts.

Nevertheless, some concern could be sensed from the tone of C. V. Grigor'yevich, head of the ministry in charge of construction of oil and gas industry establishments, while he--also having been minister for only a few months--showed his Hungarian colleague the setup under his guidance and the goals of his specialized portfolio. According to it, they construct a length of 114,000 km of pipeline every year. The ministry has its own institutes of research and development, and pipe and machine factories where they employ a total of 460,000 people. They also build complete cities alongside the pipelines. Then he added:

"In the joint construction of various gas lines, good cooperation has evolved between the Soviet and Hungarian partners within the last 10 years. For example, Hungarians have built and assembled three outstanding compressor stations for the Orenburg gas lines. In the course of the past few years, we have repeatedly made offers for a renewed collaboration, but unfortunately, have not received favorable response."

The Hungarian minister provides immediate explanation:

"Earlier the issue was that the Italian section of the West European transit gas line would pass through Hungary. We thought that we could get engaged most effectively here with the construction and assembly. Since the discussions have not been concluded yet, we have to reassess our earlier standpoint and have to survey in joint work groups what other projects we can join in. Therefore--already taking into consideration the Soviet demands--we have further developed our compressor stations and have also made proposals for delivering some supplementary energy installations by means of which the efficiency of the stations could be improved."

The Soviet leader gladly acknowledges the response:

"We also are ready to make new proposals. Today discussions are already well in progress with the other socialist countries as well for the joint construction of another gas line which would serve exclusively to improve the supply of the CEMA countries. (And to show how rapidly life progresses: in the meantime, the presidents of the planning office of the two countries have already agreed that the Hungarian enterprises will also participate in building the new pipeline.)"

At a session with the president of the State Committee for the Supply of Oil Products, Laszlo Kapolyi was already informed by the Soviet colleagues of their demands for the supply of additional components and partial units needed for the pipeline. And, in response to a query by the Hungarian delegation, A. A. Kiril, vice president, stated that the experiments for fueling public transportation vehicles by compressed natural gas are at an advanced stage. For a year they will set up nine such filling stations within the environs of Moscow and they will also organize refilling from containers. They will gladly pass on their experiences to the Hungarian users.

#### Additional Cooperations

P. S. Pleshakov, minister of radio industry--to which computer technology also belongs--besieged the Hungarian delegation with so many questions that the experts could hardly keep up recording them. He received detailed information concerning the investments in the production line making microelectronic parts, under construction in Budapest, based on Soviet license and know-how. He stressed that it would be in the interest of both countries if a broader range of specialization and product exchange in electronic parts production would develop within a short time. According to him, this is one of the possible ways of large-scale, economical production and a decreased dependence on capitalist imports. In turn, Laszlo Kapolyi called attention to the good progress made in the joint development of the computer terminal for Videoton and the factory in Kazany. He added that the joint efforts could be speeded up even more if the two enterprises could also have direct talks with each other.

The Hungarian experts also discussed the expanding possibilities of domestic machine export with Belyak, minister of machine building for animal husbandry. Every consideration whereby we could improve our association with the Soviet

food industry came under consideration here. A summary of the 2½ day long conferences could be given most concisely based on the exchange of views with B. V. Balmont, minister of machine tool and tool building industry: "In the years to come, our mutual cooperation must and can be expanded in guidance technology, robotization and development of flexible production methods, their specialized production and mutual supply, trends which are coming to the forefront in nearly every area of the economy."

The extent of the demand for it was immediately illustrated to the Hungarian delegation. In fact the Metallobrobotka '84 exhibit was opened on the very same day in the park of Szokolnyik where 23 nations exhibited their most modern tool machines and the associated new command systems. The reason for the widespread interest is that, in the past 1-2 years, there has been an explosive acceleration in the application of NC /numerical control/ and CNC /computerized numerical control/-guided tool machines and integrated production systems in the Soviet Union. The enormous receiving market brings competition to the Western tool machine producers--which for years had struggled with a recession--and also to the socialist countries, of course. This noble competition for the favors of the buyer was clearly reflected by the exhibit and--in the opinion of the hosts--the Hungarian specialized enterprises had no reason to be ashamed. "It is evident, who wants to seel in earnest!"--was the laconic evaluation.

Laszlo Kapolyi also participated in the opening of another exhibit. Housed in the beautiful new building of the Hungarian trade delegation, it was entitled "For a Bountiful Garden" and was organized by the domestic manufacturers of agricultural chemicals and their tradesmen abroad. A. D. Beschonov, deputy minister of the chemical fertilizer industry, disclosed that, within the last 5 years, 30,000 tons of agricultural chemicals were imported from Hungary and this provided significant help for the Soviet food program. The current exhibit--where we showed our plant protective chemicals supply packed in smaller boxes, flasks or spray bottles--should be of interest mostly to the small household farming plots.

It should be mentioned that the better adaptation of the very tightly planned program of the minister of industry to the Soviet conference behavior--which is much more highly operational than our guidance practice, including detailed problems of factory and plant--was also facilitated by the composition of the delegation. Namely that Andras Gabor and Zoltan Koteles, deputy minister of industry, also took part in the discussions from time to time. The delegation had only one nonindustrial member--although deepdown halfway so--Robert Burger, executive director of the Agricultural Combine of Babolna. Although at first glance it may sound perhaps strange, he participated in the consultations with the leaders of the Soviet Ministry of the Mining Industry.--"I convinced them that both of us work the soil, it is only that we do it from above and they from below"--said the well known Hungarian expert noted for his good humor and gusty temperament. Then, turning more serious, he continued:

"For a long time, even before he became minister of industry, Laszlo Kapolyi and I have held a conception in common on the newer possibilities of the agricultural utilization of mining areas. This does not simply mean recultivation but the introduction of new cultures and production methods. This would also

be needed in the Soviet Union, but I see even more imagination in the fact that the mines here have to be responsible for the broad-range supply of food to people working in distant areas. To do this, we could recommend various large-scale enterprise methods and technologies which would also be a novel method of cooperation between agriculture and industry.

#### In Good Spirits

Reports on bilateral conferences usually end with: "The discussions were conducted in comradely spirit, characterized by mutual understanding." After listening to the current discussions and witnessing the broad range of interests and the mutual search for solutions to the problems, I can state that this expression is not merely a form of protocol here either.

2473

CSO: 2500/319

# SCANT PROGRESS TOWARD COMPETITIVENESS SAY STATISTICIANS

Budapest FIGYELO in Hungarian 12 Apr 84 p 3

[Unsigned article: "Conference of Statisticians: Macroeconomic Management and International Competitiveness"]

[Text] At a conference organized at the beginning of the week by the Statistical Section of the Hungarian Economic Society, Undersecretary Dr Bela Csikos-Nagy, chairman of the National Material and Price Office, Undersecretary Dr Albert Racz, chairman of the State Wage and Labor Office, Dr Tibor Melega, deputy minister of foreign trade, and Undersecretary Dr Mrs Ferenc Nyitrai, chairwoman of the Central Statistical Office, discussed the most important tasks of the development of macroeconomic management.

The most significant link and qualificative factor in the development of the macroeconomic management system is--as the lectures unanimously made clear--the growth of international competitiveness. The idea is not new in our economic vocabulary, though its meaning is still interpreted in different ways. It was evident from the lectures that the most appropriate thing is for us to treat it as a macro connection from the viewpoint of macroeconomic management, and only thereafter consider it as a manufacturing, or product-structure category. On an international scale the structures change extraordinarily rapidly, and to what degree one is able to develop the necessary adaptability depends on macroeconomic management and enterprisal management.

In an era of development characterized as intensive, macroeconomic management has to take into account, with special stress, the creation of economic equilibrium and its preservation. In the interest of equilibrium one has to compromise on the rise of prices, because shortage is socially more dangerous than the tolerable price increase. The growth of export interest and the demand for efficiency often contradict one another. So export growth can also kindle inflation in the economy, when we want to develop the equilibrium exchange rate and the value-proportionate domestic prices. Accordingly, one has to find really effective anti-inflationary instruments. And this is not a simple task. Enterprisal cost management should be streamlined, and the principle of marginal cost should be enforced; this makes possible the growth of profit volume, as opposed to the current pursuit of average profitability, which is not real profit interest. One ought to weigh the economic problems arising from the existence of two world markets, and one ought to create a system of joint management of the capitalist monetarist market and the socialist fixed-allotment commercial relations, and of suitable incentives.

For long years on end and in these days, too, the manpower policy served the effort of expansion of the worktime base and strengthens it today as well. Solutions of this kind are, for example, employment of retirees, part-time employment of mothers, manpower cooperation with agricultural cooperatives the utilization of foreign manpower, and other measures. The expansion of the manpower supply did not yield the expected result, and the need for manpower alongside the even slower rate of economic development did not abate.

The measures aimed at reduction of surplus manpower did not yield the expected result, either. Primary cause of the manpower shortage is the low level of worker productivity. It is not possible with rules of law to achieve efficient management of manpower. There is a need for an economic organ in which the economic pressure brings this about. First results of the experimental wage regulation are encouraging, although the enterprises still did not free themselves of the surplus manpower. For this reason there is a need for mechanisms and market conditions which strengthen the intensive elements in the utilization of manpower.

Analysis of the external economic conditions of international competitiveness shows that a significant part of the deterioration of international exchange ratios was the consequence of tardy reaction. We do not feel the effect of the economic buoyancy appearing in the capitalist world economy, because, on the one hand, the commercial-quality products in the export commodity structure are determinative, and in these the competition intensified, and the price level is extraordinarily depressed. Of our exports 45 percent are represented by textile, metallurgical and food-industry products, which are extremely crisis-sensitive. The Common Market's protectionist policy and distinct discrimination influence disadvantageously our market possibilities. The market reorganization, however, comes up against geographical and other barriers. Our exports to solvent, developing countries are increasing rapidly, but the risky elements on these markets, too, are great.

The growth of international competitiveness of the economy gives rise to various requirements concerning informational work. The indicators of quality must play a greater role, one must reinforce the representative statistical work, and it is advisable to accelerate the intertwining of macro and enterprisal statistics. One should supply comprehensive data from the sphere of competition, so that, applying the methods of international economic comparisons, they help decisionmaking. One must analyze adaptability in harmony with the system of supports. Sociostatistical assessments of the development of macroeconomic management have to rest on a wide domain.

As we go to press, the conference continued in three work groups.

12327  
CSO: 2500/317

CSIKOS-NAGY EXPLAINS CONTROLS ON PRICING, PRICE CLUB

Budapest MAGYAR HIREK in Hungarian 3 Mar 84 p 8

[Interview with Bela Csikos-Nagy, under-secretary and president of the National Material and Price Office, by S.P.J. of MAGYAR HIREK: "Price Background"; date and place not specified]

[Text] [Question] Mr Under-Secretary, in today's Hungary the shaping of prices is a matter of public interest. It is an indication of our interest turning toward economics that this is true not only in regard to consumer prices, but also increasingly regarding the cost of production as well. As president of the Material and Price Office, you are one of the major proponents of economic reform, and thus perhaps the most qualified to determine what the constant elements of the Hungarian pricing system are and which ones have changed since the introduction of the reform?

[Answer] In order to understand the system of prices, we must go back in time further than 1968, all the way to 1957. It is common knowledge that until that time prices played a secondary role among the tools of economic management. The first--extremely important--change occurred in 1957 in agriculture: the prevailing system of compulsory product delivery to the state was replaced by one which bore within itself elements of market economy. We also introduced suitable new agrarian policies, which, with a few modifications, are still in effect today.

[Question] And what about the industries?

[Answer] Until the creation of the new economic mechanism, the industrial production pricing system of Hungary was, for all practical purposes, closely connected to the practice of the CEMA countries. During the 1960s, however, the role of East-West trade had increased, and Hungary with its small, increasingly open economy had no choice but to "internally" accommodate the demands of global economy. In accordance with the basic principles of the new economic mechanism, economic life regulation and management by means of indirect tools became increasingly prevalent. Prices are among these indirect tools. In 1968 we began to implement flexible prices. It is commonly known that during the 1970s the world's economy was shaken by two explosions in the price of oil. Hungary's balance of foreign trade was continuously deteriorating, with the result that by 1980 it became clear that the most important task of Hungarian industry is to increase its efficiency. Our pricing policy

attempted to contribute to the solution by introducing a simulated pricing system that corresponds to export. Especially in the processing industries, the profitability and price level of our Western export indicated those limits which enterprises were forbidden to exceed.

[Question] According to my information, this year there have been additional changes in the pricing system. The economists' jargon refers to a "Price Club."

[Answer] Gradually we are attempting to make the conversion from an export-connected simulated price system to a quasi free-market one. This year we have classified Hungarian enterprises into three categories. In the first category, the above-mentioned dual price limitations continue to prevail; in the second one we are eliminating the limit of profitability.

[Question] The most interesting category--I believe--is the third one.

[Answer] On that level, we have eliminated administrative restrictions--the determination of prices must be controlled by economic limits.

[Question] Did the Price Office select the enterprises belonging to the third category?

[Answer] We announced a competition in which enterprises could participate. The decisions concerning acceptance of the applications are made here. We have accepted the application of enterprises which are backed up by a steady market, which do not "produce shortages" of certain commodities, and which profitably and dynamically export their products. An important consideration is that the prices of their commodities sold domestically cannot exceed the prices of identical imported items (or, if there are no such items, the prices of hypothetical imported items). The substance of this administrative measure is important: We want to provide opportunities for the best enterprises to break out of the restrictiveness of rules designed for the average enterprises.

[Question] I do not wish to underestimate the role of production costs; however, in the recent past attention was focused on the rise of consumer prices. As far as the consumers are concerned, it appears that the economic reform of 1968 initiated this rise in prices...

[Answer] Strange as it may be, today's system of consumer prices first manifested itself in the form of a price reduction. The first end-of-season sale in several long decades took place in 1959. This was the "first swallow," the first attempt to influence public consumption through prices. During those years, the annual rise in prices did not exceed 1 percent. After 1968 the annual average price rise was around 3 percent. Even after the first explosion in oil prices this inflation rate remained constant; at the time it appeared that the budget could moderate the outside influence. The effect of the second explosion in oil prices was strongly inflationary; the 1979-1980 [rate of inflation] was 9 percent annually. During the early 1980s the rate of inflation "settled" at around 5 percent, but last year it rose to 7-8 percent. It now appears that we must figure on this rate for the next

three years. And I must add that this has an important and openly declared aim: to maintain the level of consumption.

[Question] One can't help but compare these figures with the statistics of the developed Western countries. In those countries inflation and unemployment make up the two ends of the scale. How do these apply in our country?

[Answer] Hungary's inflation is not of the free-market variety, since about half of it is centrally managed. In 1968, 23 percent of the commodities did not fall under price regulations, while this year 57 percent do not. Prices provide the best method for distributing our economic difficulties evenly, and if this influences our standard of living, it reflects the condition of our economy. Many people confuse the crisis of economy with the crisis of supply; they are willing to acknowledge difficult situations if they see empty stores. We are not facing a crisis of supply, and this is primarily due to the fact that agriculture operates well even if expensively and using much energy. At the same time the reshaping of industrial structure is an unavoidable task, while our present situation prohibits technological changes, thus making it imperative that we exploit our reserve energies.

[Question] Are you referring to the intra-enterprise contract work associations?

[Answer] To the various forms of small enterprises in general. Most of these operate in the service sector, but they are gaining more acceptance in production as well, specifically in the processing industries. These forms of enterprises constitute only a small portion of our economy, but I consider them important: They demonstrate that--by creating a suitable system of incentives--much untapped energy can be enlisted to aid production and services. In this area, too, agriculture was first: the involvement of household farming in general production uncovered similarly significant energies. Our people have a very strong business and entrepreneurial sense. As an example, even in 1951, when plan-directives were most detailed, there was a decree in effect, according to which enterprises were not compelled to fulfill the plan-directives if there was not a valid commercial contract for a specific commodity.

[Question] Please do not take this amiss, but I must bring up the other side of the pricing system: wages. It appears to me that with the advent of the small enterprises a "dual wage philosophy" gained acceptance, namely the following: By working eight hours a day one can earn a guaranteed, albeit low, income; beyond that, on the other hand, with certain risks, one can earn much more. All of this, of course, has its effect upon the spending capacity as well...

[Answer] You have touched upon what may be the most sensitive issue. Indeed, it is true: we must continue developing the system of wages, too. Since our economy is increasingly regulated through indirect economic methods, the two factors--the proportion of prices and wages--are closely connected, even separate offices administer the affairs of prices and wages. Still, the two are parts of the same economic policy. I have already mentioned the "price club" (even though I do not like this expression), but a parallel "wage club" has also come into existence. By submitting competitive tenders and fulfilling

certain preconditions, enterprises can be exempted from several prevailing wage restrictions. The purpose of this is that even under the present conditions, when the standard of living is stagnant, there should be opportunities for providing higher wages for the best workers.

[Question] In other words, some of the enterprises can manage their affairs free of restrictions, while others are still bound by the strict pricing regulations. Does this not create a conflicting situation?

[Answer] I wish to emphasize that this is not an experiment. The pricing system must be further developed, because under the conditions of indirect economic control every price-calculating restriction which hinders the reflecting of market prices will have a distorting effect upon the management of enterprises. Of course, the loosening of previous restrictions does not mean that from now on enterprises can determine their prices by "looking at the ceiling and saying something." We would like to see stable markets, and in such situations--lacking positions of monopoly, free of shortages, and having relative equilibrium between supply and demand--the sellers cannot make pricing decisions independent of the market. In other words, prices must be determined in accordance with the economic conditions. Our aim is to achieve such a state of equilibrium as extensively as possible.

12588

CSO: 2500/318

SHORTAGE OF TRADESMEN, IN SPITE OF 1983 INCREASE

Budapest OTLET in Hungarian 15 Mar 84 p 18

[Article by Gyorgy Filep: "Forty Thousand Are Missing!"]

[Text] In spite of expectations by many people, the number of private craftsmen increased in 1983. However, the significant increase only reduced and did not really alleviate the sizable shortage in this sphere, as indicated by this summary report prepared at the KIOSZ [National Association of Small Craftsmen].

On 31 December 1983 the total number of private craftsmen in Hungary was 129,990, indicating the presence of 10,654 additional craftsmen (an 8.9 percent growth) over the number on 31 December 1982.

In evaluating the growth, it may be worthwhile to mention that 54 percent of the growth (5,745 individuals) occurred in the still up-and-coming field of transportation using automobiles and trucks.

Excluding the statistics of road-using transportation, the roster of craftsmen shows a more moderate increase: 43 percent (4,909 individuals), which exceeds the 1982 rate by a small margin. Actual comprehensive figures show that the number of full-time private craftsmen and those who also hold other jobs has increased, while the "corrected" figures indicate a growth only in the number of those private craftsmen who also hold other jobs.

In spite of prior expectations, the appearance of new entrepreneurial forms basically did not influence the rate of increase in the number of private craftsmen.

As of 31 December 1983, according to the figures of the Central Statistical Office (KSH), 4,741 economic partnership firms were formed with 23,667 members, and these firms provide room for the operation of 774 full-time private craftsmen, as well as 656 others who are retired or maintain other employment.

Urban craftsmen make up 71.1 percent of the 1983 growth, thus the proportion of craftsmen operating in the cities has reached the 52 percent level.

The increase in the number of private craftsmen was highest in Budapest and in Veszprem and Komarom counties, and lowest in Tolna and Bekes counties. The fact that growth occurred in every county is a cause for joy, as it indicates a county-by-county, more uniformly distributed increase in the activities of private craftsmen.

There is an observable shift of craftsmen toward the cities and the settlements having populations in excess of 5,000. Obviously, this indicates the continuing attraction of urban settlements, primarily because of the better material opportunities. Larger settlements show greater demand for the services of private craftsmen, and provide better conditions for them to practice their trade: The entrepreneurs have more work, they have fewer problems obtaining the necessary materials and spare parts, and since factories and cooperatives are located around the larger industrial settlements they can find workers who welcome the opportunity to take on private work on a part-time basis. The obtainable fees are lower around the smaller settlements, thus a number of small craftsmen are unable to cover their own growing expenses.

By examining the regional distribution of private craftsmen and their number per 1,000 residents, we can determine how well each county is serviced. This is illustrated by Figure 1.

In contradiction to what was stated above, the most heavily industrialized regions generally have fewer private craftsmen in relation to the size of population. It is common knowledge that [in Hungary] there is a shortage of economically operating small enterprises and shops whose activity would serve the medium and large plants in an auxiliary fashion. This is one of the reasons why industrial centers can be called poorly serviced by small craftsmen.

Due to the sizeable increase in the number of part-time craftsmen, the proportion of full-time craftsmen within the total has decreased. (See Table 1.)

One factor contributing to such sizeable growth in the number of part-time craftsmen is that their working conditions have been made more favorable: They do not need a permit from their [primary] employers; they do not have to pay a social security contribution; their contribution to accident insurance is only 250 forints a month, etc. At the same time, part-time craftsmen do not give up a certain income from their primary employment for an uncertain private trade, and they only choose to become full-time private craftsmen after establishing sufficient clientele.

As the following table indicates, 3,204 small craftsmen changed their method of operation during 1983. (See Table 2.)

Of the 1,888 retiring craftsmen, only 384 (20 percent) continue pursuing their trade while receiving their pensions. Of this number, 277 were full-time and 107 part-time craftsmen.

During 1983 the number of small craftsmen employing workers has increased by 1,056. The number of workers in the employ of private entrepreneurs grew by 2,326 (11.7 percent); their total number is 22,265.

Workers are employed by 11 percent of private craftsmen. Within this number, 64 percent employ one, 23 percent employ two, and 13 percent employ three or more persons.

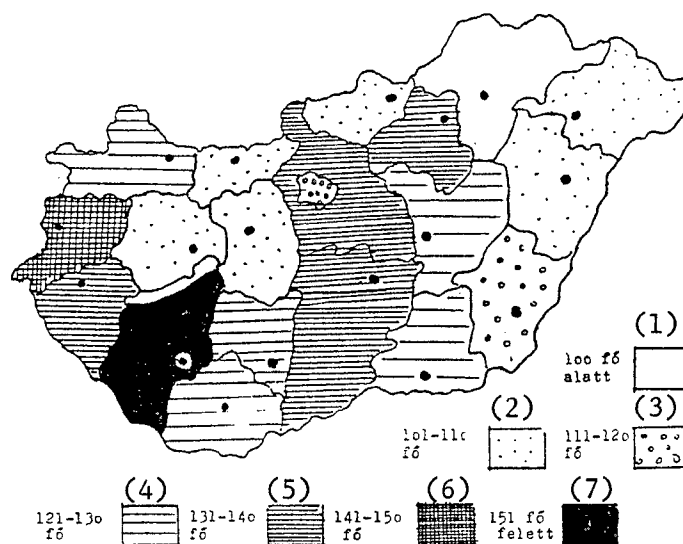
During 1983 the number of craftsmen employing skilled workers increased by 622, while the number of apprentices grew by 887 (16.6 percent). The total number of apprentices is 6,220 (a relatively small number), and 4.4 percent of all private craftsmen employ apprentices.

The reported number of family members assisting in the work of small craftsmen is 7,004.

The total number of persons participating in private craftsmanship during the past year was 165,479. Our experience shows that more people work in this sector, because many family members assist craftsmen without being reported (we estimate their number around 15,000), and the existence of illegally operating private craftsmen is also a commonly acknowledged fact.

The dynamic growth in the number of people employed by private craftsmanship, and the number of employees during the previous years, allows us to conclude that private craftsmanship's ability to create jobs is significantly greater than is presently evidenced. It is almost certain that, within a very short time, at least 40,000 additional jobs could be created within private craftsmanship, and what is more, this could be accomplished using private financial resources instead of the state's money! Our society, feeling the shortage of consumer services and auxiliary small industries, needs the elimination of these vacancies and the resulting production!

Figure 1: Private Craftsmen in the Counties  
(per 10,000 residents)



Key:

1. less than 100 persons
2. 101-110 persons
3. 111-120 persons
4. 121-130 persons
5. 131-140 persons
6. 141-150 persons
7. more than 151 persons

Table 1: The Make-Up of Hungarian Private Craftsmen

Year	Total Persons	Full-Time		Part-Time		Working While on Pension	
		Persons	%	Persons	%	Persons	%
1982	119,336	71,439	59.9	34,905	29.2	12,992	10.9
1983	129,990	75,244	57.9	40,884	31.4	13,862	10.7
Change (persons)	+10,654	+3,805	-2.0	+5,979	+2.2	+870	-0.2
Change (%)	100	35.7		56.1		8.2	

Table 2: Changes in Method of Operation by Private Craftsmen During 1983

	<u>Full-Time</u>	<u>Switching to</u> <u>Part-Time</u>	<u>Semi-Pensioned</u>	<u>Total</u>
Switching from				
Full-Time	-----	1,258	277	1,535
Part-Time	1,539	-----	107	1,646
Semi-Pensioned	22	1	---	23
Total	1,561	1,259	384	3,204

12588

CS0: 2500/322

RELATIONS BETWEEN CENTRAL PLANNING, ENTERPRISES CONTINUE UNDEFINED

Budapest FIGYELO in Hungarian 26 Apr 84 p 3

[Article by Istvan Kiglics: "Intervention in Planning"]

[Text] The 1972 law concerning planning created also the legal framework for its democratic realization. Lately planners have ever more recognized the legitimacy and positive role of public intervention in it. Yet it is also obvious that they are concerned about it. For it is difficult to draw the line between democratic intervention that helps lay the groundwork for the plans and that kind of intervention which hampers the work of the planners and bears the marks of an abuse of democracy. However nowadays our task is to increase the autonomy of the enterprises and local councils and to strengthen society's ability to intervene in planning through its institutional agents.

The autonomy and relative separation of the organic parts of our planning system (macroeconomic, county and enterprise level planning) from each other, that was announced in 1968 and codified in law in 1972, has not yet been fully implemented. Ties have arisen among these organs which are alien to the principles of the macroeconomic management system. The roots of the problem are not to be found in planning itself and its methods, but rather in the practice of macroeconomic management as a whole and within it in the relations between macroeconomic planning and management on one side and planning on enterprise level on the other.

The birth of autonomous enterprise and local council planning goes back to the drafting of the 4th five-year plan. That process was however slower and more wrought with contradictions than expected and this situation has not changed until now. Thus far not even the structure of relations between macroeconomic and enterprise (council) planning has taken shape.

When and Which Forum?

When the 5th five-year plan was drafted, planning was already much more "organized" and so were also the relations between the various levels. The regulations, as amended in 1976, could not satisfactorily relay either the goals of planning, which were too far-fetched according to our current assessment, or the tasks that our national economy was confronted with (growth, improvement in productivity, increase in exports, enhanced

competitiveness) to the enterprises. Our economic leadership tried to attain the original goals during the first three years of the medium-length planning period by formal (planning juries) and informal methods of influence, as well as by administrative and moral means, rather than changing our economic policy or the macroeconomic management.

This way of meeting the expectations and requirements reduced not only the autonomy, but also the sense of responsibility of our economic units. It provided pretexts for the economic organizations when arguing about regulations, subsidies and withdrawals and in case of demands for credits. Although the easing of the requirements contributed to the realization of one of the objectives of the plan, namely to the acceleration of economic growth, it impaired at the same time the economy's ability to attain the other goals, such as balance, productivity, lucrativity, etc. The plans on enterprise level have not been prepared for internal purposes, for example for the utmost utilization of the economic possibilities, but for demonstrating the prevailing, not always genuine, difficulties in order to influence the pertinent state authority and thereby to obtain the wished subsidies.

The relations between central planning and the enterprises is still unsettled in its essence, both as practice and theory are concerned. In that peculiar mixture of old and new elements, which constitute our macroeconomic management the old model of economic steering based on regulators coexists with direct operative steering. This coexistence is inevitable. The trouble is however that the latter has overcome the former. Contrary to the designs of direct steering this combination "relaxes" rather than "keeps well in hand" economic management.

Although there are enough references in the professional literature to the need of connecting the social, scientific and interest-protecting organs with planning, there are rather few explanations concerning the contents and forms of this connection. This is one of the most disorganized and immature aspects of our economic planning. The Constitution refers only in general terms to the participation of these organs in planning, as a matter of fact only in connection with the interest protecting functions of the trade unions (4, Para 3). Other laws and decrees of minor hierarchy, as well as certain by-laws and statutes, refer, aside from the right of the TOT [National Council of Producer Cooperatives] to differ, essentially only to the possibility of consultation in case of the economic management organs, but do not regulate either the forums or the time where and when (at which planning stage) these organs can join in the process of planning, nor do they set forth the duties of the planners and that of the functional and branch-directing agents. As a matter of fact not even that question is resolved that when there is an essential difference of opinions among the interested how this problem should be handled and which authority is competent to make a decision.

#### Formally and Informally

The corresponding rules deal unilaterally and in some detail with the duties and tasks of the professional interest-protecting organs alone. As the official of an interest-protecting agency noted: "If we seriously examine the contents of the decree (by-law) concerning us, we have to realize that the

legislator charged us with all the problems which belong to the sphere of competence of the institutions of macroeconomic management, but which the latter could not resolve. Yet we do not have the same means that the macroeconomic management possesses."

Thus the main function of the interest-protecting organs is limited to relaying the decisions and intentions of macroeconomic management to the lower level, i.e., enterprises, population, employees, etc., and to persuade and mobilize them that they should implement the tasks designed by the plans.

The current practice is somewhat more favorable since the disorderliness of the legal situation provides a possibility for expanding the contacts. Yet the effectiveness of them depends on the following factors:

--Was it possible to establish a personal contact and if yes of what depth? What is the rank of those involved? What is their place in the institutional hierarchy and how far are they willing to cooperate? It follows from the character of the contact that it might happen to be casual, and that for example in case of a conflict of interests (which is not necessarily personal but it might be of institutional origin) it might not provide legal protection.

--On all levels of planning, from the local councils to the national economic level, the phenomenon called "lobbying" is well known. This is not necessarily intertwined with the regular contacts between those involved, but has usually a greater impact than the latter and is related to the handling of concrete "cases." Its efficiency depends on whether or not the interested is able to find a protector who has considerable influence on decisionmaking. This of course depends also on his familiarity with the issues.

In sum a "more favorable" situation cannot be unequivocally qualified as "favorable," although the pieces of information and decisionmaking intentions running through the mentioned channels may also serve national economic interests in the best sense of the word.

It is generally believed that the steering and planning organs do not often ask the outsiders to assess their concepts and proposals. If they demand their advice, this is rather an ad hoc an unilateral inquiry and personal ties are predominant. Social participation in planning is also biased in the sense that those whose advice was requested are rarely receiving a reaction to their opinion and do not know whether or not their observations have been taken into consideration.

Another problem is that if social organs, researchers, or professional circles are consulted, this happens almost always at such a late stage at which there is only one alternative left (plan or law) on which opinion can be voiced, and the resources and allocation of capitals are, by virtue of an international treaty, so committed that there is no realistic chance for a change. None of the decisionmaking authorities make an exception in this respect from the local councils up to Parliament.

Coordinations on professional levels are rare and comprehensive and high-level coordinations are rather the rule. These can only cope with the generalities

and are not fit for a detailed analysis of the partial connections, no matter how important they be. Moreover not all agencies have the competent, professional apparatus. Indirectly this shows that thus far they had no possibility to intervene and therefore they did not need to operate such an outfit. Those who are invited to comment usually do not have the corresponding information background (not because of lack of experts but since they do not have the facts and background available), simply because the authorities fail to provide them with the necessary information when the documents to be criticized are remitted.

Another symptom of bias in the relations between the planners and the interest protecting organs is that, irrespective of whether or not their observations have been taken into consideration, once the decision is adopted they are obliged to promote it.

During the last couple of years also the planners took the initiative to democratize planning. The call on the large enterprises to cooperate was designed to serve this purpose, yet its outcome was controversial. Other sectors of the enterprise sphere are still not involved in planning. The call on "independent experts" and the system of preparation of technical-economic concepts did not yield the expected results. Essentially none of the partners has been satisfied. The concepts in the best of cases may serve as pieces of information and may indirectly influence the planners, yet have no substantial impact on planning.

#### Missing Guarantees

It is interesting to note that the employees of institutions and enterprises who are commissioned to maintain contacts with the authors of the macroeconomic plans and who participate in the referred consultation model, as well as the representatives of the interest-protecting organs observed that they had little say in many respects and demanded a greater scope of intervention in some areas. In their opinion they cannot intervene in the process of planning that runs on two levels, one being the formal way and the other hidden in the background, since they do not have the necessary apparatus. Yet they think that their suggestions might be useful when the system of regulations is being designed and when it undergoes changes, if their opinion is requested in time. Anyway they consider their participation in the process of planning necessary, particularly with respect to measures affecting their area, on a yearly basis and even more in case of medium and long-term plans. When the 6th five-year plan was prepared and implemented, the enterprises and interest-protecting organs were already more involved in planning than earlier, yet an organizational set-up of the ties is still missing.

The institutional guarantees of democratic practice are absent from the planning system or have only a limited application. Thus as a matter of fact the social control of macroeconomic planning did not yet materialize in either the preparatory or in the interest-coordinating, decisionmaking and implementation phase. The system of operating democracy, the organizational system of enforcing societal will and the system of social controls are ill-defined and the access to information is limited. In sum the changes which occurred in 1968 brought a limited pace of progress in the functions of democratic forums, but we cannot be satisfied with the results achieved.

DIRECTOR OF CHINOIN INTERVIEWED ON POLICY, RESOURCES, RESEARCH

Budapest FIGYELO in Hungarian 26 Apr 84 p 5

[Interview with Istvan Bihari, general manager of the Chinoin Pharmaceutical Factory by Dr Gyorgy Varga: "Management and Enterprise"]

[Text] Ten years ago the participant in a series of interviews published under the above title was Barna Mezey, director of the Chinoin Factory of Pharmaceutical and Chemical Products. This time Dr Gyorgy Varga carried an interview with Istvan Bihari who was appointed general manager of that enterprise two years ago.

[Question] You worked in the 1960s and 1970s as the manager of the Nagyteteny factory unit of Chinoin, in 1977 you were appointed director of the EGYT [United Pharmaceutical and Nutrient Factory] and in April 1982 you returned to Chinoin as general manager. Ten years ago in the production program of Chinoin the development of the production of plant-protecting chemicals played a central role. How did you assess that program and what is your opinion about it at present?

[Answer] I have to make an advance note: I have great respect for my predecessor, Barna Mezey, and if I now make some critical remarks about some past events, I do not mean it as a judgment over the activities of certain personalities but as a critical assessment of those events and processes. I then did not share entirely the opinion of the enterprise management concerning the strategy of producing plant-protecting agents. I agreed with the basic concept but I felt that the dimensions of the diversification undertaken were exaggerated. I mean thereby the share of plant-protecting chemicals in the product structure of the enterprise and the scaling down of the production of pharmaceuticals. In my view Chinoin should have selected those plant-protectors which, because of the complexity of chemical synthesis and the favorable price-level and volume of raw materials, stand closer to the area of activities and course of development which characterized Chinoin over many decades.

[Question] The purpose of the diversification was to lean more on the domestic market and thereby to reduce the vulnerability of the factory in foreign trade. Was this effort successful?

[Answer] Well, in 1975, 33 percent of the enterprise's sales were realized on the domestic market, while in 1983 only 29 percent of the returns of 7 billion forints were of domestic origin. In other words the reverse happened of what the set target was.

Meanwhile experience provided answers to some of the questions which were discussed at the time of the diversification. Thus the sales prices of the plant-protecting chemicals are lower than those of the pharmaceuticals and consequently, if the enterprise wants to increase its sales revenue, must produce larger quantities. However the production of plant-protecting chemicals requires much more investment capital than that of the pharmaceutical products.

[Question] How did the development of the production of plant-protecting agents influence the enterprise's dependency on foreign markets from the point of view of costs?

[Answer] The answer is clear: the dependency has been enhanced also from this point of view, since the production of plant-protectors entails more imports than the production of pharmaceuticals. Thus a situation has developed in which Chinoin's passive balance in convertible currencies became bigger than that of any other Hungarian chemical factory. In 1984 its passive balance will reach around 5 million dollars. True, Chinoin made a great contribution to the domestic yields of agricultural products. Moreover this enterprise is the most important participant in the agro-chemical agreement concluded with the Soviet Union. As a counterpart of our exports the Hungarian national economy receives valuable raw materials. Thus we may rightly say that our contribution to the balance of Hungarian foreign trade is really not limited to our export revenues which reached about 42 million dollars in 1983.

[Question] How do you assess the development of the markets of plant-protecting chemicals?

[Answer] Our domestic market has a growth potential since Hungary still imports various plant-protecting chemicals for a value of about 60 million dollars. Thus our domestic industry has avenues in import-substitution. In view of our present market position, we want to broaden our share in the Hungarian-Soviet agro-chemical agreement and to improve the product-structure on a mutually advantageous basis. In our trade with the capitalist countries we want to increase the proportion of processed and formulated products. In order to achieve this we are looking for partners with whom we can connect the export of active ingredients with the transfer of formulating technology, thereby stabilizing our market position. Our production policy is aiming to narrow the product-spectrum and to heighten the grade of elaboration.

[Question] Ten years ago the then director of the enterprise said: "In the production of pharmaceuticals the manufacturing of new, original products takes preference." Did the innovation process gain momentum in Chinoin during the last couple of years and has that goal been attained?

[Answer] In my view the innovation process has slowed down in the production of pharmaceuticals. We should not overlook the fact that in the innovation efforts of an enterprise personal ambitions and the "influence zones"

circumscribed by the leading personalities are playing an important role. Well, these crafts have a greater influence upon and better possibilities in the production of plant-protectors than in the pharmaceutical branch.

In the latter the innovation capacity was also restrained by the fact that the selection among the research topics was not the result of managerial decisionmaking based on extensive analyses. In the areas of innovation individual research ambitions and the spontaneous choice of topics has prevailed. In today's world the competitiveness of pharmaceutical production depends to a great extent on the grade of scientific and financial concentration. Yet this hinges on the management's ability to make the proper selection. In Chinoin we are still researching 160 different topics, while the realistic number would be around 40.

[Question] Do you have in Chinoin a system that enables you to discover the business potentials of certain scientific efforts?

[Answer] Yes we now have such a system. In 1973 we established a research council which identifies the selection of research topics as business ventures of the enterprise. The council members are economic and business professionals and it includes outside experts. Its head is the general manager of the enterprise.

[Question] Frankly I am embarrassed when we talk about concentration. For the magazine FIGYELO reported recently that from the five leading American biotechnological enterprises, which were founded during the last ten years, the smallest has 110 and the biggest only 550 employees. How do you comment on this?

[Answer] As a matter of fact the big American companies are investing in such enterprises for the future's sake. They are aware of the fact that the production methods of the food-processing and pharmaceutical industries will change radically by the end of this millenium, and that bio-technology plays a great role in this change. These small firms are sort of preparatory enterprises and training grounds. They bring sacrifices for future interests. And they are also warnings for us that, if we fail to make determined efforts for the development of our bio-technology, we might fare as we did in case of the microelectronics. Our handicap might become irreparable.

[Question] Are your researchers also financially interested in the marketability of their products?

[Answer] Yes, but if we take as a point of departure the fact that in international practice the time gap between the discovery of an original chemical and its marketing is 10-12 years, it becomes clear that in our country this running time is longer. Thus for the researcher the interest connected with the financial success of his product is too remote. Therefore we chose the following method: when in a proper phase of the clinical analysis of a given original pharmaceutical we can assess with a great deal of certainty that it will become a product sold on the market, management pays a substantial advance on the future patent fee to the discoverer. This usually happens in the

6th or 7th year after the discovery. The fee for the discovery and the assistance is a determined percentage of the expected profits or volume of sale.

[Question] In the production of pharmaceuticals does the management of Chinoin pursue a strategy of imitation or do you prefer original discoveries?

[Answer] The answer is not easy since it has not even been clarified in our profession what we should regard as an original remedy or a combination. There are various grades of originality and the business opportunities enshrined in them are also variable. The original--let us say trailblazing--work forms part of Chinoin's research strategy, but we avoid defining its, so to say, quantitative share. What is important is that if we have a real success we should exploit the possibilities inherent in it as much as possible. We prefer to appear in each fourth or fifth year with an original medicament on the market and to promote it with such a concentration of resources and with such an intense marketing activity as to achieve a breakthrough in sales. For us the profits are decisive rather than the number of original products.

[Question] I would deduce from this that you invest more efforts in the renewal of old products.

[Answer] That is right. There is a series of remedies the manufacturing of which we cannot discontinue since their cycles of life and their trends of success and decline are rotating. There old drugs can be renewed, new services can be "built in" old remedies, for example by improving their resorption and by making their dosage easier. Such improvements may instantly change the declining trend of their life-cycle. A good example is the Bayer aspirin, that classic remedy, the production of which has never been discontinued. Recently it has been put into circulation in micro-capsule forms as a remedy to prevent thrombosis. Thus the aspirin enjoys its renaissance, who knows which of the many. Or another example: decades ago the opinion prevailed that the sulfonamides were obsolete products since they were substituted by antibiotics. Then a few years later the sulfonamides have been reviewed. Thus those who did not stop producing them or could resume their production at the right time, fared better. I would not deny, of course, that there are groups of products which had to be definitely written off.

[Question] From what you are saying it is evident that it is impossible to assess the future of a product on the basis of its current life-cycle.

[Answer] I greatly agree with this, and I would like only to add that the age-structure of the products alone is not a business-like appraisal of an enterprise's production policy. In other words, if we start to think in businesslike terms, the technological doctrines lose their value. Thus, instead of setting some kind of abstract, perhaps even percentage-wise defined target for the rotation of the product structure, I am rather inclined to put it in the terms of a business proposition to double our exports to the capitalist countries until the mid-point of the 7th five-year plan period, and to subordinate all our efforts to this goal alone.

[Question] Your arguments and reasoning are convincing. But I cannot stop short from voicing a certain apprehension. Namely that the reconstruction

investments of your enterprise have been implemented in the 1970s, almost without exception, with considerable delay and this had greatly contributed to the obsolescence of the product structure and to the belated exploitation of some business opportunities enshrined in novelties. I think this belongs to what you have now explained.

[Answer] This is true. Therefore investments should be made part of the enterprise strategy. This should not be considered as the task of the investment apparatus alone. True, our present development resources are limited. But perhaps it is precisely that scarcity that enables us to keep the deadlines in the implementation of our development projects.

[Question] You are a well-known advocate of the integration of research-crafts. You insisted upon this already years ago, suggesting an organizational integration. How do you assess this under the present circumstances?

[Answer] Frankly, my standpoint has changed since the situation has changed. The fact is that at present the development resources available in the pharmaceutical industry are half of what we had estimated five years ago. Thus now we could not undertake certain tasks of the innovation process even if we united our resources through integration. Therefore, from the innovation point of view my opinion concerning integration is that in those innovation sectors which are vital for us, yet with the help of domestic resources alone we cannot expect progress, we should seek contact with foreign enterprises, if possible with multinationals.

[Question] I understand that there are such efforts on your side. But what is attractive for the foreign partner in this?

[Answer] The fact that the innovation activities of Chinoïn are including such ventures and elements that may be commercially promising for foreign firms.

For example we are very strong in chemical research while the foreign partners' strength lies in the biological line and in the money required for this kind of research. Thus the partners in such collaborations have a complementary role. For example we deliver our existing original chemicals to the foreign partner, for instance to the American Johnson Wax firm and when they will obtain the licence for marketing thereof, we are going to establish our joint enterprise in the United States, probably by 1985. We contribute with scientific assets to the joint enterprise and we will have a share of 20 percent in the revenues. Johnson Wax and later the joint enterprise will finance the costs of toxicology, clinical tests and registering, and later the marketing of the products. In the Hungarian pharmaceutical industry there are the weakest links in the innovation chain.

In Hungary we must follow the road of vertical integration, i.e. we have to develop the production of intermediaries that are important for the manufacturing of pharmaceuticals and insecticides, and most of which are now imported.

[Question] Perhaps you think about organizational integration?

[Answer] Not at all. The production of intermediaries cannot be brought to the proper standards but on the basis of entrepreneurial independence and interest. The development of a background industry cannot be achieved by government measures but only on a businesslike basis. This means that if we are selling products to capitalist countries on the basis of Hungarian-made intermediaries, we must be willing to share the export income with the purveyor.

[Question] Chinoin sells relatively large quantities of merchandise on capitalist markets and plans an increase of 8 percent in the sales revenue in dollars during 1984. How does the present system of import management influence the chances of a sagacious enterprise export policy?

[Answer] The current emergency measures do not help shape a sagacious export policy. The fact of the matter is that last November the struggle started for import quotas and in December we got a framework of limits which was of course narrower than what our enterprise demanded and was even uncertain. The division of the quotas is moreover such--presumably with reason--that only a small percentage of them can be used in the first half year, while the enterprise is required to export at the same time at fast pace.

[Question] I seem to recall that Chinoin belonged during 1983 and in the first quarter of this year to those few enterprises which have sold continuously against convertible currencies. How was this possible under the present conditions of import management?

[Answer] Since we cannot perform miracles either, we are able to do this only by concentrating temporarily on the implementation of the time-proportioned share of our exports against convertible currency. In the current practice foreign customers are used to the fact that at the end of each year Hungarian enterprises are launching an export-drive trying to sell at all costs. Foreign importers of course exploit this and are buying the merchandise offered by the Hungarians at low prices. We want to put an end to this practice.

[Question] Does Chinoin utilize other foreign resources aside from its cooperation with the American Johnson Wax and the British Wellcome companies?

[Answer] Yes, we are going to take a loan from the World Bank for an amount of about 600 million forints for the reconstruction of our tablet production and the injection laboratory. This means that we try to bring those activities to internationally recognized standards and thereby to increase the sales of our finished products in the developed countries, that amounts at present to 10 percent of our volume of sales.

[Question] Does your enterprise have a possibility to flexibly accommodate itself with the changes on the market by using its convertible capacities?

[Answer] Since Chinoin bears a responsibility for the domestic supply of pharmaceuticals, we cannot meet the new market demands but by an increase in capacity. Thus the decrease in the development resources also entails a decline in our ability to exploit the chances of the economic downward trend. In other words our flexibility is restricted.

[Question] From a strategic point of view which is the strong and which the weak component of Chinoi?

[Answer] Our strength is that we have written off certain illusions and we know what we want to accomplish. We have realized what we are able to undertake alone and for what we need foreign partners. Our weakest aspect is our slow ability to react. This is a result in the first place of our large enterprise structure which is based on functional principles. We should break down the internal power positions. If we fail to do so, we jeopardize our future since it is very difficult to squeeze our young collaborators in stiff, functional compartments. We have to free our young people from the shackles of conformism. I am convinced that only good critics may become good leaders and that leaders should be that kind of people who are expected to have an independent opinion and are ready to argue as equal partners.

[Question] What is your main concern as a manager?

[Answer] I am concerned about many things. I see the problems within the enterprise and I know that they must be solved. The reason of my preoccupation is that they might not let them be solved. The greatest cause of my concern is voluntarism. I try to banish this from the life of our company. And I expect with anxiety mixed with hope that voluntarism might be losing out in those external decisions which ultimately determine the working conditions of our enterprise.

12312

CSO: 2500/328

ADVANTAGES, DISADVANTAGES OF MUNICIPAL BONDS NOTED

Budapest MAGYAR HIRLAP in Hungarian 7 Mar 84 p 3

[Article by Janos D.Kiss: "Interest"]

[Text] Today one can read in the newspaper without batting an eye that such and such a council issued municipal bonds for the implementation of a certain community project. Apparently the issuance of most bonds nowadays is not a newsworthy item anymore, there are enough bonds nationwide. Three years ago, as we started limited experimentation with bonds, only one housing project was obtained through bonds out of 10 counties. However, the results soon justified the experiments, thus municipal bonds received a green light nationwide.

It is the financial experts' task to explain the details of the trade: how bonds are issued, under what conditions one can buy them, etc--much was written about these concerns at the time. Should the occasion arise, the financial experts will give the necessary information to anyone explicitly interested in the details.

For our purposes it will be sufficient to summarize in a broad outline the essence of the municipal bonds, just enough to be able to discuss the issuance and purchases in general terms. Incidentally, we will only discuss the bonds available to the general public, disregarding the others which are available to public institutions.

The financial strength of the municipal bonds can contribute most significantly to the buyers' living conditions. For the buyer this is a form of savings, since they lend money to the local council for interest. (It is a question of detail that the transaction is handled through the National Savings Bank.) The local councils issuing the bond should, most of all, be sensitive to the interests of the public. In other words, the council should only resort to this new financial solution when the future project is approved by the majority of the population.

In discussing this we arrive at the subject of experiences with municipal bonds. At our disposal is the latest publication of the Central Statistical Office (KSH) which indicates that--excluding the well known telephone bonds of the Hungarian Postal Service and that of the State Development Bank--last year

approximately 162 million forints worth of municipal bonds were issued nationwide and about 40 percent of them have been bought up so far. All this with moderate success--agrees the publication also. Analyzing the reasons, we may begin by saying that the public spends willingly only on such community and low investment projects where the benefits can directly be enjoyed by the majority, and the gains are not confined to the interests of a minority group. There is a good example from the town of Lenti, Zal county: the issued municipal bonds for the construction of a local public swimming pool, in spite of the low interest rate, were quickly sold. Speaking of the interest rates, no matter how much we would like to evade these strictly financial questions, we must admit that the interest rates of the municipal bonds are not very advantageous. As a matter of fact--how can they be--as the repayment of the bonds must be guaranteed by the issuing councils. In the long run, however, the councils are not predicting a sufficiently high enough return to increase their interest rates significantly. At a number of locations, due to the uncertain financial prospects, the local councils are unable to issue bonds at all. It follows from this, that purchasing municipal bonds, the public in fact undertakes some risks.

Returning to the recent example in Lenti, the swimming pool was built at the desire of the public, in other words the public's vote for the pool was expressed in the buying up of all the municipal bonds. The fact that narrower community interests are only unwillingly supported by bonds purchases goes without saying. Let us take an example.

As it happens in some city, suppose the expansion of the natural gas pipeline is needed, the gas bond may not be the most expedient solution. We can assume that the expansion of the network effects relatively few, and whoever already has gas installed in his residence, will not get in line for gas bonds. From these examples, the plan is already taking shape concerning the implementation of municipal bonds. This is such a trump card in the hands of the councils, that only on the proper occasion should it be played. Rapid constructions and urgent projects should not be accomplished through municipal bonds. Partly because of the successful financing through bonds may be questionable, and it may be wasteful to bargain away this developmental source within the public. Let us face it: foresight is a must.

Issue bonds only in the case of a major development project, where the support of the population can be expected. In case a project is selected but certain initial conditions do not exist for the successful implementation at the time, then it is better to wait until they are acquired instead of using up the municipal bond possibilities for less suitable purposes. Buying bonds is the public's willingness to sacrifice, and it is of course self-evident that we cannot ask or expect further sacrifices.

Since further issuance of bonds can be expected in the future, there is one more matter that should not be dismissed. The existence of a promising community project is not enough, in addition prudent organizational ability is essential. The above mentioned statistical publication also presents an

example from the town of Baja. During the construction of the storm drain project in town the municipal bonds were only advertised at various plants and factories. Thus the large percentage of commuter workers were obviously not interested in buying bonds for the project, while the majority of the local population was not informed about the availability of the bonds. To say the least, that is not how it should be done.

12618

CS0: 2500/331

NATIONAL BANK PUBLISHES ANNUAL REPORT

Budapest HETI VILAGGAZDASAG in Hungarian No 17, 22 Apr 84 pp 50-52

[Article by Ervin Fabri: "Our Financial Accounting"]

[Text] Those who have not immersed themselves in the mysteries of accounting may find it a bit frightening to examine closely the balance data of the MNB [Hungarian National Bank]. But the effort will be useful, because with bank of issue accounting it is possible to follow the important economic processes. The president of the bank presented on Tuesday of this week to the regular annual general meeting of the MNB last year's balance statement, accounting of results, and the report prepared on the previous business year.

As with every enterprise the accounting by the MNB has a separate assets and liabilities entry. Accounting by a bank of issue, however, means "dual book-keeping" not only in the original but also in the transferred sense of the term: its business transactions reflect at the same time, in concentrated form, the main processes of the entire national economy. Above all, that part of the process which was presented to this year's general meeting of the bank in the beginning of the report: "Despite difficult foreign economic conditions the Hungarian economy in 1983 achieved an improvement in the external equilibrium and in guarding its international ability to pay."

The efforts that were made in this direction and their results can be followed by means of the bank's balance statement and other important account statements.

As with enterprises, the balance statement is the most comprehensive document of a bank's operation. But the balance statement of a bank of issue is not only the statement of a bank of issue: it is a public matter because one can see in it--among other things--the enterprise credit policy, the role of all our money, the enterprise account money on deposit, and the volume of bank notes kept accumulated on hand or in the business cashier's office, and many others.

The listing of the assets begins with the fact that on 31 December 1983 the stock of gold, currency and foreign exchange on hand and demands payable on sight came to 78.5 billion forints. This is 39.6 billion forints more than in the previous year.

Among bank assets the largest entry by amount and nature consists of money outstanding, and within this appears credit stock listed by date of maturity and the main debtor categories. In respect to numerical credit data, medium and long term credits at the end of last year came to 389.6 billion forints: this was 1.6 billion forints more than a year ago (including credit stocks of enterprises and cooperatives by 0.9 billion forints and the budget by 0.7 billion forints). The closing figure for short term credits came to 155.1 billion forints, which exceeds last year's closing figure by 2.5 billion forints. This included a decline of 3.7 billion forints in short term credit debts by banking institutions and an increase of 6.2 billion forints for that of enterprises. What all is latent behind these credit movements? Under credit-policy guidelines the bank last year extended credit with more favorable conditions for working capital demands arising because of exports. Moreover, the bank wanted to help the TEK [Capital Equipment Marketing Enterprise] enterprises to buy and put back into trade stockpiles at certain enterprises which could still be used. For this purpose the TEK enterprises may receive credit from revenues with a 3-year expiration date starting from the middle of last year and repayable from revenues, that is, without charge to development funds. Credit policy was also characterized last year by some tightening. At the beginning of the year the bank examined the use of investment credits that has already been granted. Where the bank experts believed that the debtor was not fulfilling the promised indexes or where the possibility had arisen for participation from various internal enterprise sources, the bank modified or even in some cases renounced the credit contract after discussions conducted with the enterprises. The bank investigated on a continuing basis the previous credits for working-capital permits, and justifiable cases shortened the credit maturity date.

Table 1: Balance Statement of the Hungarian National Bank, 31 December 1983

A Magyar Nemzeti Bank mérlege 1983. december 31-én					
Aktívák (1)		Millió forint (2)		Passzívák (3)	
				(2) Millió forint	
(4) Arany-, valuta- és devizakészletek,			(14) Részvénytőke		6 000
lára szóló követelések		78 549	(15) Tartalékok		4 490
(5) Kihelyezések			(16) Betétek és egyéb kötelezettségek		
Közép- és hosszú lejáratra (6)			Lekötött betétek (17)		
pénzüntézetek (7)	170 483		pénzüntézetek (8)	291 664	
vállalatok (8)	186 637		vállalatok (9)	41 112	
költségvetés (9)	32 428	389 549	költségvetés (9)	7 062	339 338
Rövid lejáratra (12 hó) (10)			(18) Lára szóló betétek		
pénzüntézetek (7)	33 725		pénzüntézetek (8)	82 083	
vállalatok (8)	120 388		vállalatok (9)	78 547	
költségvetés (9)	1 006	155 119	költségvetés (9)	9 560	
Különféle aktívák (11)		45 106	egyéb (19)	10 782	180 972
IMF-kvóta (12)		22 141	MF-követelés (19)		46 768
Devizaátértékelés (13)		17 500	Forgalomban lévő bankjegy és érme (20)		97 857
			Különféle passzívák (21)		19 001
			Nyerés (22)		12 997
Összesen (23)		707 923	Összesen (23)		(23) 707 923

Key:

1. Assets
2. Million forints
3. Liabilities
4. Gold, currency, foreign exchange holdings, on sight demands
5. Outstanding

(key continued on next page)

(key continued)

6. Medium and long term	16. Deposits and other obligations
7. Banking institutions	17. Obligated deposits
8. Enterprises	18. Deposits on sight
9. Budget	19. Demands
10. Short term (12 months)	20. Bank notes and coins in circulation
11. Various assets	21. Various liabilities
12. IMF quota	22. Profit
13. Foreign exchange revaluation	23. Total
14. Share capital	
15. Reserves	

"Gray figures" or very real and well-known goals and events, are latent in the balance data. Among investment credits the most significant amounts were granted for expansion of the convertible export commodity bases, energy rationalization, material savings, waste utilization and the improvement of services. For a number of reasons the demand for working capital credits increased in 1983: outstanding export debts rose, excessive inventories were accumulated in certain products, drought caused repayment problems for a number of large farms and the number of financial rehabilitation cases grew.

Tightened credit practices, of course, set more rigorous payment possibilities for the economic organizations. To these, many enterprises could not adjust. The desire and compulsion to maintain "good partner relationships" prompted a good number of economic organizations to refrain from demanding payments on time despite a strained financial situation. And among the purchasing partners not all tried to pay on time. Total nonrepayments at the time of maturity--chiefly because of the lack of financial cover--was 67.3 percent greater among domestic enterprises in October 1983 than a year ago.

Continuing with assets, we find a sum of 22.1 billion forints for the IMF quota on 31 December 1983. This is 6.6 billion forints greater than a year ago because the IMF member countries decided in 1983 to raise capital stock contributions, and on this basis it was also necessary to raise the Hungarian quota payment.

In the framework of an exchange--rate policy designed to promote the relationship of foreign and domestic prices and give incentive to exports, the MNB last year devalued the forint. The entry of 17.5 billion forints for foreign exchange revaluation in the balance statement is related to this measure.

On the liability side of the balance, it is evident that share capital--the bank's capital stock--amounted to 6 billion forints at the end of 1983. This corresponds with the capital stock of the previous year, and was made up of 300,000 shares individually worth 20,000 forints. The 4.5 billion forints in reserves corresponded to the figure for the previous year. The two together give us the bank's own capital.

The characteristic liability entry in the balance statement--and the greatest from the viewpoint of the total--is the stock of deposits and other obligations, which consists of the deposits belonging to various depositors--enterprises, cooperatives, the central budget, banking institutions and the population (including the National Savings Bank) with its obligated or permanent on-sight deposits.

Why is a deposit in the bank considered a liability? Because the bank owes the depositor this sum, that is, the depositor "demands" this. But this is more than a simple accounting category. First of all because deposits do not result only when the depositors deposit their own money voluntarily (for example, as the savings deposit of the population or the interest-bearing deposit of enterprises) or as an obligation (for example, enterprises on a single account, or on a separate, blocked account). A bank deposit also occurs when the economic organizations receive credit. In this case the bank--in accordance with dual bookkeeping--simultaneously makes two entries. On one hand, it charges the enterprise's credit account with the total credit: the sum of these entries goes on the assets side of the bank's balance as debt outstanding. On the other hand, it acknowledges by this much the deposit account of the enterprise(s): and thus the sum is also placed among the liabilities. With this step, the bank of issue "has created money" because--by virtue of the credit--the enterprises can use the sum appearing on the deposit accounts either by transferring some of it to another enterprise, or by taking some of it in cash and using that for making payments. That is, the money was created on the basis of credit.

But it also creates money when the bank purchases foreign currency, that is, gives forints for it in return, either by crediting its countervalue to the enterprise's account or by giving notes for it. Understandably, the money that is "created" is "terminated" with the repayment of the credit. Moreover, the banks extend credit not only from their own capital--share capital and reserves--but banks of issue also create money. Their own capital would not be sufficient for this purpose, but there is no necessity for this. The bank system concentrates a great part of the capital of the depositors. A part of the money kept on deposit in banks of issue is always in the form of long term deposits: the bank can rely on their not being used by the depositor. The sum of these deposits is the so-called account-money, which is the main domestic source for credit grants. This is always much greater than the bank's own capital. By "circulating" the account-money the bank can extend credits by way of redistribution of existing money and without creating "new" money.

In the balance statement of the MNB the closing volume of obligated deposits was 339.8 billion forints and on-sight deposits 180.9 billion forints. The former is 5.9 billion forints less than at the end of the previous year, and the latter is 13.5 billion forints more. The balance statement also shows who the depositors are. In 1983 total deposits by enterprises and cooperatives declined by 6.1 billion forints (obligated deposits by 5 billion forints and on-sight deposits by 1.1 billion forints). The decline in account-deposits can be attributed mainly to financial difficulties. Interest-bearing deposits, on the other hand, increased somewhat in response to the rise in the deposit interest rate. Total deposits by banking institutions increased over the year by 7.7 billion forints. Within this, their obligated deposits declined

by 6.1 billion forints while their on-sight demands rose by 13.8 billion forints, chiefly because of increased deposits by the Hungarian Foreign Trade Bank and State Insurance [Enterprise]. Total deposits and demands of the central budget at the end of 1983 exceeded that of the previous year by 6.1 billion forints.

IMF demands on 31 December 1983 came to 46.8 billion forints. As compared to that of a year ago, the increase amounted to 34.6 billion forints, because of credits used in 1983 on the basis of an agreement signed with the IMF.

Bank notes and coins in circulation are a characteristic entry of the bank of issue balance. Like deposits, these also are handled as liabilities for they result when the depositors take cash (bank notes and coins) from their deposits to make payments, for example, wage payments. Thus the bank's money declines by this much, and the value of the bank notes and coins in circulation increases, but the value of the total amount of money--the bank's account money and cash--does not change. But if a depositor--let us assume a commercial enterprise--pays cash into its bank account, the bank's account money increases and the volume of bank notes and coins in circulation decreases, but with this the total money does not change.

Table 2: The Hungarian National Bank's Statement of Results, 1983

Key:

1. Repayments and expenditures
2. Million forints
3. Income and receipts
4. Repayments related to payment trade
5. Interests
6. Commission
7. Business expenses and other expenditures
8. Repayments and outlays combined
9. Profit
10. Total
11. Cost and fee receipts
12. Other receipts

A Magyar Nemzeti Bank eredménykimutatása, 1983. év

Térítések és ráfordítások (1)	Millió forint (2)	Jövedelmek és bevételek (3)	Millió forint (4)
A fizetési forgalommal kapcsolatos térítések (4)	931	Kamatok (5)	54 204
Kamatok (5)	45 334	Jutalékok (6)	6 292
Jutalékok (6)	496	Költség- és díjbevételek (11)	310
Ügyművelési költségek és egyéb ráfordítások (7)	1 133	Egyéb bevételek (12)	85
Térítések és ráfordítások együtt (8)	47 894	Osszesen (10)	60 891
Nyereség (9)	12 997		
Osszesen (10)	60 891		

Cash on hand--at the cashier's office of enterprises, at banking institutions outside of MNB, and with the population--plays a role as an entry in the balance statement on a given day, that is, on 31 December. Those sums, however, which do not leave the cashier's offices and treasuries of the MNB do not have a role in this statistic since this is not money but a so-called strict rendering of account representing a subject and a printed paper with a registered value. As for the data, 97.9 billion forints' worth of bank notes and coins were in circulation on 31 December 1983, 10.6 billion forints more than a year ago. Within this, the total value of bank notes in circulation rose by 9.9 billion forints, and of coins by 0.6 billion forints. The rise in the value of bank note circulation was 11.5 percent, but this was done with 8.8 percent fewer bank notes, made possible by the issuance of 1,000 forint notes and the gradual substitution of 20 forint notes with a coin.

The formation of profit--under the entry of result--is detailed in a separate table. According to the profit statement, total receipts of the MNB in 1983 were 60.9 billion forints, total expenses and expenditures 47.9 billion forints, on a profit of 13 billion forints. This was 5.5 billion forints more than for the previous year since total receipts as compared to 1982 increased by 3.5 billion forints--largely in response to the rise in interest rates in the previous year and mainly because the foreign exchange debt burden was lower than in the previous year.

The participants in the general meeting of the bank, the state as representative of the shareholders, the management and the executive as well as the reports presented to the auditors established that foreign exchange management in 1983 was characterized by an improvement in the international ability to pay, and the result was evident in the foreign trade export surplus exceeding that of the preceding year--despite the very difficult working conditions.

Moreover, under the strained international credit market conditions, we succeeded in increasing our foreign exchange reserves by bringing in foreign resources. (The press regularly reported on the foreign credit grants.) Due to all these things the country's ability to pay improved in 1983, the report stated.

Informed of all these matters and statements testifying to the correctness of the auditors and the accounts, the general meeting then discussed the documents that were presented to it and the recommendation of the president that by resolution of the general meeting the reserves should be increased by 1 billion forints at the cost of profits to a total of 5.5 billion forints, and the share capital should be increased by 4 billion forints to 10 billion forints, and that the bank should pay 12 billion forints from profits into the central budget. At the same time he asked the finance minister that the state as representative of the shareholders should take steps to see that the central budget pays to the MNB the increase in share capital. According to the modified rules of association, "the bank's basic capital of 10 billion forints equals 500,000 shares, each worth 20,000 forints." The general meeting approved all these proposals by unanimous voice vote. Among other things, it was also established during the discussion that the increased capital stock and reserves, that is, the bank's greater capital strength will improve the cover of money in circulation by way of credit and will increase the ratio of the bank's own participation in credit sources for granting long term credits.

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CSO: 2500/336

ACADEMIC SUPPORTS VEHEMENT DEBATE ON ECONOMY, SOCIAL VALUES

Budapest NEPSZABADSAG in Hungarian 17 May 84 p 6

[Interview with T. Ivan Berend, academician]

[Text] The academy's philosophy and history departments held a meeting last week in conjunction with this year's annual conference. The department meeting was titled "Economy, Society, Value System." The conference discussed, even challenged the arguments of related and fringe fields. This kind of discussion has become customary during the well-attended and semi-public meetings. Historians, cultural experts, theoretical economists, lawyers and sociologists all tried to explain, inspect and attach meaning to the three concepts mentioned above. They sought the mutual determinants, and interrelationships of those concepts based upon several centuries of history in order to comment upon the situation today.

During those two days 12 lectures took place, a majority of which polemized with each other. The same number of comments turned this conference into a debate. The differences of opinion led to vehement confrontational debates more than once. We asked Academician T. Ivan Berend, who in his role of department chairman organized and led the meeting, to first of all evaluate the polemics.

Question: During the deliberation, world-renowned academicians and young researchers barely known outside of scientific circles held lectures. Prepared notes reached the audience, and the analyses were precise and well supported in their organization. We heard statements which contained concepts which were not well thought out, not even on the part of the lecturer. Those present during the debate dismissed most of those ill-conceived concepts.

Answer: We have to expect this if we accept the idea that in scientific circles, especially during a debate session, we have to allow the discussion of ideas which are disputed even in expert circles. Undoubtedly, the interrelationships of economy, society, and value system raise a series of social and political issues. Naturally, these questions are surrounded by tension, but I am convinced, that the best method of clearing up these issues is to engage in responsible and open debate. From this it may be revealed that what conventional wisdom deems to be mistaken is actually convincing. Or conversely, it can

clarify views if it becomes apparent during the debate that a outmatched concept is truly indefensible. This also prevents certain concepts from becoming mystified. I am an absolute believer in scientific tolerance. I also include open, even harsh specialized, debate with which we can discuss any type of point-of-view.

Question: In your opinion, were the polemics of the department meetings such a type of debate?

Answer: I feel that they were, or more precisely, that some were, mainly because three or four opinions confronted each other. I thought the debate between the reformists and the restorers concerning ideological problems was particularly harsh. Therefore, it was a good debate. Another debate was like this, too. Specifically, one participant used the analogy of the second economy to introduce a new concept implying that there is a second society. All things considered, chief virtue of the deliberations lay in our getting a much better picture of the circumstances which caused the slowing down or the speeding up of the reform process. We have a much better idea than before about what kind of internal contradictions these periods brought to the surface.

Question: Didn't the previously mentioned and other clarifying debates distract the conference from its original goals: the historical determinants of the economic and value system?

Answer: No. The meeting did accomplish its goals. The conference showed how the economy influences the spheres of society and ideology throughout the ages. It also showed how the economy forms the value system. Lectures based on history provided examples of how inherited and evolving values built upon and followed each other throughout several centuries.

Question: The lectures during the first day were "mainly" historical, and in the following days dealt exclusively with the reform process, its antecedents, and certain repercussions on the ideological value system. In your opinion, did the historical viewpoint truly link the present with the past during the conference?

Answer: We made an attempt to link the historical past to the history of the current age, since we can interpret the lectures of the second day as discussing a broader present age, that is, the past 40 years, and the process of change involving values. One of the biggest virtues of this departmental meeting was that it inspired further examinations to determine what types of changes took place in the dual value system in Hungarian society in the course of only 40 years, a short period historically. We also seek to examine what kind of values are disturbed by such a change in the value system.

Question: During the lecture and debates the fact that not only a values crisis but a values change has occurred got totally lost, or rather the fact that this change in the values system is happening here now.

Answer: It is true that in many lectures and comments the values crisis was emphasized. This strengthened my conviction that we should study the changes in the dual values system that have taken place since the liberation. We should analyze more thoroughly when and how the concept of socialism after the liberation clashed with reality. The concept of socialism in those days called for the attainment of communism in a short time. In decades, a society was to form which would eliminate societal conflicts, and also accept the responsibility for social welfare, based upon a command planned economy. When we discover early socialism's elements that clash with reality, then we have to notice that these elements seemed indispensable in the days of the conversion process. We have to observe how the passionate ideal of egalitarianism, which society strived to realize in the 1950's helped topple the previous hierarchically organized caste system of social organization.

It is beyond doubt that the past 15 years have also caused a change in values and a values crises for the same generation. The lectures documented that in the 1950's and 1960's the economic system carried within it the elements of the processes which opposed its value system. It produced those phenomena which caused serious functional problems.

Question: The historical viewpoint, willingly or unwillingly explores the past through the present with an eye to the future. Did the conference suggest any trends for the evaluation of the future in relation to the economy and the value system?

Answer: I think the incentives to further thinking are very subjective in origin, so I would rather give my own opinion. Related to the shift in values, I would like to emphasize that the better management system resulting from the reform process also affects society's values incredibly. If a society gets wealthier, works more smoothly, has better quality services, the quality of provisions improves, then this has a constructive effort on society as a whole. This is so because new and old values are solidified. These values raise more humane living and universal tolerance onto the level of societal norms. I know, economic progress alone does not mean a change in the value system, but the results can have a good influence on it. You have to look at these influences from a long run perspective.

Question: The debate concerning the value system does not just concern the definition of the past and present, but it also touches changes in our image of socialism.

Answer: It is absolute and obvious, that the entire conference justified the need to form a more realistic image of socialism, than that which is currently in the public eye. Naturally, this does not imply that we should give up the basic tenets of our early image of socialism. Rather, we should examine in what historical perspective those basic tenets can be established. This, of course, comes with basic conceptual differences. Because, naturally there is going to be a basic difference in view between an image of socialism which promises the desired future in one or two decades, and an image, the realization of which is measured in historical perspective.

I find it very important to rethink the essential elements of the image of socialism, because I see very serious problems with it. I want to mention just one element: the idea of collectivity. I find it despicable that there is a concept which finds this principle unattainable and a simple utopia. I similarly oppose the position that treats the individualism which crops up in the reform process with a nervous, impatient, even intentionally destructive attitude.

If we view the road to equality as a long-run historical process, then we should see that the conditions we desire can be attained in a society that functions a lot better than the one we have today. Such a society would reinforce the values inherited from the past, and the values which are helpful today. We should also see that we can reach this desired situation only through the gradual extension of equal opportunity; an equalization of opportunity which is not contradictory to reality, which achieves its goals through the economy and the enrichment of society. I am convinced that on the basis of values, we have to examine and reexamine the transformation process over and over again. Analysis is irreplaceable concerning conceptual directions and ideology.

This analysis cannot do without open debate and sharp conflict of opinions. It is the duty of the academic department to assist in open, truly polemic exchanges of opinion.

CSO: 2500/352

PROFESSOR MANTEUFFEL EVALUATES AGRICULTURAL SITUATION

Warsaw ZOLNIERZ POLSKI in Polish No 15, 8 Apr 84 pp 5, 10

[Interview with Prof Dr Ryszard Manteuffel, full member of Polish Academy of Sciences, expert in theory and practice of agriculture, by Bartosz Glowacki: "Let's Talk About Agriculture and. . . Army"]

[Text] Slender, agile figure of a cavalryman, such is my first impression as my conversation with Professor Manteuffel starts. The professor actually was a cavalryman, an officer in the First Regiment of Krechowicki Uhlans and participant in the September campaign.

"I belong to the generation," says the professor, "that grew up in a cult of the uniform and the army. As I was a young boy, my dream was to put on the Polish soldier's uniform as soon as possible. I remember how in 1918 (when I was 15) my older brother, a volunteer in the Academic Legion, would come home on leave. I would steal his uniform and march in it around town at night. Just to feel like a Polish soldier. It was the utmost pride then!

"A few years later I volunteered for the cavalry, precisely for the much-honored First Regiment of Krechowicki Uhlans. With this regiment I took part in the September campaign as troop commander in the Suwalska Brigade. Ancient history. . . Now comrades from the regiment meet as friends, however few of us are still around. . . Well. . . As a child I dreamed of becoming a cavalry captain. And in fact I am one of the last captains of that pre-war cavalry. To this day I have contacts with the horsemen's community. For the last 25 years my wife and I have spent our vacations on horseback. During these horseback rides we have covered over 17,000 km. We have traveled all over the country several times in all directions. Thus, I know the Polish countryside and agriculture from horseback, from immediate contacts with country people."

[Question] Let us then discuss them and the problems of Polish agriculture. A man like you, a distinguished expert in the subject, should definitely be surprised and pained by the existing myths about the rich and easy life in the country. Where might such a picture of the country have come from?

[Answer] In each occupation, some people make more, some less. Indeed, a certain group of farmers, especially on specialized farms, have large incomes. However, anyone who feels jealous about this should be reminded that only if the farmers are wealthy will there be plenty of food in this country. Poor farmers will not be able to feed the country.

Besides, why can people in non-agricultural professions earn more, even very much, some several times more, while in agriculture it is considered scandalous? The principle that remuneration should match effort should apply to all. The more production, the higher earnings. What is all this wailing about?

[Question] What do you think the prospects of this country to be self-sufficient in food supply are today?

[Answer] One should probably start from the fact that in agriculture it is never possible to foresee the outcome since the future natural conditions are never known. I fear, for example, that this year might turn out worse than the previous ones, and for two reasons. First, in a 5-year period, 2 years are good, 2 average and 1 bad. The last 2 years in agriculture were rather good. Thus now we should expect an average or even a bad year. Secondly, the enormous drought that reigns now! If there is no precipitation, the year will be very dry. For this reason, one has to be very careful. . .

[Question] In forecasting.

[Answer] Yes. Neither should we get rid of staple agricultural stocks, since the time might come when they will be in short supply. On the other hand, those average harvests that were obtained last year would suffice to feed the country if meat consumption were reduced to 50 to 60 kg per capita annually. We cannot eat more since otherwise we would either have to import or to produce more. There are limitations to both alternatives, which I will not discuss in detail. We have to be satisfied with what is available. And this meat portion is far from meager. There is no hunger, and what we consume now is completely sufficient.

[Question] The farmers seem to consume less meat, although they could afford more.

[Answer] They do, and if we consider the caloric value of meat, even the rich Americans consume less, too.

[Question] The food self-sufficiency of the country depends not only on the farmer and nature. . . .

[Answer] At a low level of production agriculture can be self-sufficient since the farmer can manufacture a simple plough or harrow for himself. However, in order to increase yield per hectare, the farmer must be equipped with appropriate means of production, modern machines and tools. . . .

[Question] And for this reason. . . .

[Answer] . . . agricultural productivity is largely dependent on industry. If we aim at food self-sufficiency of our country, its prerequisite is a high productivity per hectare which depends on nature, the farmer and the industry that manufactures agricultural machinery. An increased yield is necessary to compensate for losses that result from the constant shrinkage of arable land in the country.

During the post-war decade the area of arable land per citizen dropped by almost one-half. In other words, this two times smaller area is to produce more than the former one twice as large. Hence the necessity for industry to supply the farmer with such and as many means of production as needed to significantly boost yields and enhance animal husbandry.

[Question] And such machines and tools are still in inadequate supply. . . .

[Answer] There has been a certain improvement; however, they still are not in such quantities and of such an efficiency as the farmers would like to have.

[Question] In highly developed countries such as England, Denmark or Holland, only a small percentage of the population works in agriculture, much less than in Poland. Yet those countries are self-sufficient in food supply and even export it. How is this accomplished?

[Answer] The rule is that the fewer people working on the farm, the richer are the farmers. And vice versa. Therefore it is in the interest of the farmers themselves that they be as few as possible. However, in order that a decrease in agricultural employment does not unfavorably affect the food supply, machines must replace manual labor. Also, those who stay on the farm must be the best.

[Question] What is, then, to be done in order to come closer to Denmark, Holland or France in effectiveness?

[Answer] The way to this goal is through the accumulation of agricultural knowledge, manufacturing more means of production by industry, enlargement of farms, and an increased well-being of the farmers. It turns out that one can achieve heavy harvests in Poland, too. I know a farm in Ciechanow province which last year reaped 83 quintals of wheat per hectare. This farmer "simply" applies an excellent agricultural technology.

[Question] How would you comment on plans of turning several branches of industry in favor of agriculture?

[Answer] I cannot give you an exact answer, but it is noted that the situation in this area is gradually improving. There no longer is drastic want in small tools. Most disturbing is a severe shortage of spare parts for tractors and machines, short supply of tires and batteries.

[Question] How would you estimate the relation between prices on farm produce and agricultural machinery? All farmers criticize it rather sharply.

[Answer] This is debatable. Some believe that price escalation is not very substantial as long as means of production are delivered. Others think that prices stimulate production. I cannot tell which of the two opinions prevails. It seems that if the farmers were able to procure everything they need for production--first of all, the machines--then they would not try as hard to raise prices for their products. Since, however, it is rather difficult, they want to get more for grain, pigs and cattle in order to purchase machines. . . .

[Question] . . . even by overpaying?

[Answer] Exactly. They overpay but purchase. Such is the practice. Besides, certain problems of social justice are involved here. If people in non-agricultural occupations earn each year 10 to 20 percent more, then--in the farmers' opinion--there is no reason that they should earn less. Then in the name of justice they insist on raising prices in accordance with the growth of income.

[Question] What mistakes in relation to country dwellers and agriculture have we made in the past and continue to make now?

[Answer] The principal mistake is to change the policy toward agriculture constantly. At first, right after the war, in accordance with the resolutions of PKWN [Polish Committee of National Liberation], tender care was taken for peasants. Then a sudden turn toward hasty collectivization which--as we know--was not effective in Poland. It ended in 1956, when it was ascertained that this policy toward agriculture was ineffective. Another turn toward private farming. Then again to a hasty surrendering of land to the government and building up of collective farms. An example are those farms run by peasant associations which caused outrageous losses in both national income and production.

[Question] That mania for things gigantic. . . .

[Answer] Not only this but the very concept of collective farms, peasant associations that were put up on lands of the State Land Fund without qualified people, without traditions, at first even without means of production. Then, of course, this tendency toward things gigantic, especially in animal husbandry, orientation toward industrialized forms of animal husbandry which have led to enormous losses.

[Question] Which of these mistakes, in your opinion, have not been overcome yet?

[Answer] In the so-called large-scale politics they have been disposed of--one could cite the resolutions of the joint plenary assembly of the Central Committee of PZPR and the Supreme Committee of ZSL; however, in real life, in the field, they are very much alive. There still is a discrepancy between the resolutions of the two parties and the activities of local cells, or between the government and provincial and local administration. There are in the field individuals that--if they don't sabotage openly--at least delay party and government decisions in matters of agriculture.

[Question] Wasn't it a mistake to make rural youth believe that a career in life and profession is possible only in town, only in industry? How and with what can the young be kept in the country today?

[Answer] Of course, this was a mistake of which consequences can be noticed with the naked eye: desolated villages, lack of young successors. The young have been and still are fleeing the country, as there are striking differences in life conditions in town and country. The reason consists in the under-investment in rural infrastructure--in both its production and social aspects. There is no way to keep the young in the country but to renew or build up an appropriate infrastructure. This implies, first of all, construction of roads where there aren't any. In Suwalki, Bieszczady the Sudetenland, where there is lack of roads, people do not want to live and do not want to work!

The next problem is to care for all social and working conveniences. Services, stores, schools, day-care centers, cultural establishments, and--yes--housing for people. This, in my opinion, is the least expensive means to achieve an increase in production. In short--as it is in the construction industry--one has first to develop the site and then put up the structure, not the other way around. The site is to be developed where the young are about to leave the countryside. Among them are not only potential farmers but also craftsmen, agronomists, doctors, teachers, etc.

[Question] What is maybe the most disturbing is that girls, potential wives, also leave the country.

[Answer] Of course, this is a serious problem. A household without a wife is limping, has no prospects. Yet the girls are fleeing to towns, as they are appalled by the heavy, thankless work on the farm. Therefore--I repeat with the stubbornness of a maniac--an adequate infrastructure is to be built in the country. I perceive no other way.

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